Original Application

-COPY-

Baptist Memorial Hospital

CN1701-005

January 20, 2017

Melanie Hill, Executive Director Health Services and Development Agency 502 Deaderick Street, 9th Floor Nashville, TN 37243

RE:

Certificate of Need Application Baptist Memorial Hospital

Dear Ms. Hill:

Enclosed are three copies of the Certificate of Need application for the satellite emergency department near the intersection of I-40 and Airline Road in Arlington, TN. Check Number 1924555 for \$57,334 is enclosed for the review fee.

Thank you for your attention.

Sincerely,

Arthur Maples

Dir. Regulatory Planning & Policy

Enclosure

CERTIFICATE OF NEED APPLICATION

SATELLITE EMERGENCY DEPARTMENT near the intersection of I-40 AND ARILINE ROAD in ARLINGTON

BAPTIST MEMORIAL HOSPITAL
JANUARY 2017



State of Tennessee Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION SECTION A: APPLICANT PROFILE

1.	Name of Facility, Agency, or Institutio	n			
	Baptist Memorial Hospital				
	Name				
	Intersection of I-40 and Airline Road			Shelby	
	Street or Route			County	
	Arlington	TN		38002	
	City	State		Zip Code	
	Website address:				
	The facility's name and address must t istent with the Publication of Intent.	ie the name a	nd address o	f the project and	must be
2.	Contact Person Available for Respons	es to Questio	ns		
A	Arthur Maples		Dir Regula	tory Planning 8	& Policy
,,	Name	`		Title	
E	Baptist Memorial Health Care Corpor	ration	Arthur.N	Maples@bmhc	c.org
	Company Name			Email address	
3	350 N Humphreys Blvd	Memphis	TN	38120	
	Street or Route	City	Stat	te Zip Code	9
E	Employee	901-227-413	7	901-227-500	4
	Association with Owner	Phone Nu	mber	Fax Number	

NOTE: Section A is intended to give the applicant an opportunity to describe the project.

Section B addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

- "

Please provide an overview not to exceed three pages in total explaining each numbered point.

 Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

Response:

This CON application is for a satellite Emergency Department (ED). As presented in the November 2015 applications, this proposed satellite ED will be structured according to the Tennessee and CMS provider-based regulations and will operate as an outpatient department of BMH with the same licensure classification as the main ED on the BMH-Memphis campus. Patients will have access to a full service Emergency Department. If appropriate care is not available at the site, a patient will be stabilized and transported to the closest, most appropriate facility.

The satellite ED will be located in a single level of approximately 13,750 gross sq ft facility. It will open with 10 treatment rooms, Laboratory, and provide CT, X-ray and ultrasound imaging.

This project does not involve additional inpatient beds, major medical services or initiation of new services for which a certificate of need is required. This project is unrelated to any outstanding certificates of need held by the applicant.

2) Ownership structure;

Response:

The satellite Emergency Department will be licensed as part of Baptist Memorial Hospital (BMH). The sole member of BMH is Baptist Memorial Health Care Corporation. The project will be developed, operationalized and marketed through a joint operating agreement between BMH and Regional One Health (ROH). This is the same relationship that was discussed with the HSDA and Licensing in previous applications.

Service area;

Response:

The counties in the service area will be primarily in Shelby and Fayette, but also involves Haywood and Tipton.

County	City	Zip Code	Service Area	
Shelby	Arlington	38002	Primary	
Haywood	Brownsville	38012	Secondary	
Shelby	Cordova	38016	Primary	
Shelby	Cordova	38018	Primary	
Shelby	Eads	38028	Primary	
Tipton	Mason	38049	Secondary	
Shelby	Millington	38053	Secondary	
Fayette Oakland		38060	Primary	
Fayette	Somerville	38068	Secondary	
Haywood	Stanton	38069	Secondary	
Fayette	Williston	38076	Secondary	
Shelby	Bartlett	38133	Primary	
Shelby Bartlett		38135 Prima		

4) Existing similar service providers;

Response:

An FSED is not located in the service area.

5) Project cost;

Response:

The estimated project cost is \$10,813,697. The costs involve a developer that will handle construction, funding, and related costs through a lease. TC Northeast Metro Development, Inc, a wholly owned subsidiary of Trammell Crow Company is the developer of the building, which will be leased from them with an option to buy.

6) Funding; Response:

¥.

As stated previously, Trammel Crow Company is funding the building and related costs. The operating agreement involves both BMH and ROH in funding equipment which is \$3,430,000, consultant fees of approx. \$40,000 and CON filing fees. BMHCC has owned the proposed site since 2006, pursuant to its plan to provide health care services in this area.

BMHCC has given Trammel Crow Company an Option to Lease the land.

Financial Feasibility including when the proposal will realize a positive financial margin;
 and

Response:

Financial feasibility is demonstrated by the Projected Financial Charts and will realize a positive financial margin in the 2nd Year.

8) Staffing.

Response:

Nurse Staffing will be handled by BMH through system resources

including the Baptist College. Team Health will provide physicians certified in Emergency Medicine as an extension of the current contract in place at the main ED on the BMH campus.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

Need; Response:

As presented in previous applications, the main ED on the campus of BMH-Memphis has steadily increased in visits and has reached the capacity that was anticipated when the most recent expansion was completed in 2011. The main ED has expanded to the largest extent possible on the land available in the Northeast direction closest to Briarview Road. In 2016 the emergency department, which was expanded to serve 60,000 patient visits, reached 66,467. The need for additional ED capacity can be best accommodated by satellite facilities. This FSED will serve patients closer to their homes and prevent delay in patient travel and relieve crowded conditions at BMH Memphis. CMS has indicated a support for FSEDs by excluding them from recent payment adjustments to hospital off campus projects. The MedPac recently indicated that FSEDs may be an alternative way to provide efficient health care in areas that cannot support a full hospital.

During the continuing development of FSED criteria with Tennessee State Health Planning Department, reference materials have provided opportunities to discuss capacity levels published in A Practical Guide to Planning for the Future, a Second Edition. Planning has clarified that the levels should be a quideline rather than a standard. author of the guide states that the levels "...should help you understand the order of magnitude of a proposed project developed it in a way that you can see how the quantity of potential patient care spaces can affect the total size of an emergency department." The statement on page 109 is, "if you skew more toward the high range...your new facility will likely fall to that side of the area and bed number ranges." Table 5.2 in the publication lists factors that will determine whether the future emergency department will be designed in the low range or the high range. One of those factors is Percentage of Admitted Patients, and the high range is stated as more than 25% of your emergency department patients will be admitted. In 2015 BMH admitted approx. 27% of its ED patients.

This project will also provide a way to strengthen the community's

safety net hospital at Regional One Health Medical Center. The emergency department at ROH averaged 48.5 hours diversion per month over the last 6 months of 2016.

2) Economic Feasibility;

Response:

The project is economically feasible as demonstrated by the project's positive bottom line in 2nd year of operation. As expressed earlier, support for FSEDs has been demonstrated by MedPac and CMS, the largest purchaser of health services in the country and in Tennessee.

Baptist FSED will educate patients about the services and the cost of care that can be provided in the emergency department compared to alternative settings.

3) Appropriate Quality Standards; and

Response:

A recent survey in *Emergency Medicine* found that patients listed "competent physician", "courteous and quick registration staff", and "cleanliness" among the 10 most important FSED attributes. The FSED is important to reduce overcrowding at BMH Memphis, particularly in high utilization periods. An overcrowded emergency department leads to extended waits for patients and family and negatively effects patient satisfaction.

Baptist will operate the FSED in a high quality manner. BMH Memphis will continue to measure the criteria supported by CMS and in consideration for inclusion in the State's CON criteria.

4) Orderly Development to adequate and effective health care.

Response:

Not only will the FSED contribute to relieving the overcrowding at BMH Memphis but will be a portal to chronically ill patients who are working with Baptist as a medical home. The application is focused on specific zip code areas located around an accessible location directly off I-40. This location is responsive to the comments made at the HSDA hearing on Baptist Memorial Lakeland FSED project that location should be further away from other providers and closer to area in need of service. This location is 6.5 miles from the previously proposed location in Lakeland. The previous Lakeland location was approx. 5 miles closer to BMH Memphis and 5.3 miles closer to ROH. Patients can choose the FSED at peak times and patients coming from Fayette and Haywood counties, who otherwise seek ED services at BMH Memphis, will find the FSED closer than BMH Memphis or ROH.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

Response:

N/A

4. SECTION A: PROJECT DETAILS

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ection A-4A an ownership ch all entities of f the ownership ership (direct or
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6A. Leg	al Interest in the Site of	the Institution (Ch	eck On	e)	
A. B. C.	Ownership Option to Purchase Lease of Years	X		Option to Lease Other (Specify)	X
own the applicant a copy of been seed Lease A include actual/andescribed application Respons	e: of the Notice of Int	oject location, attaction, attaction, attaction, in agreement. For puted document includering the document includering the document includering the document in the date of the document in the date of the document in the date of the document in the date of the document in the document i	ch a cope the bud projects fuding O ation. on to Lanticipa Agency's	by of the title/deed. If ilding/land for the project where the location of the project where the location of the project of the project of the Purchase Agreements of the consideration of the consideration of the consideration.	For applicants or at location, attach e project has not ement, Option to greements must include the ne legal interests ertificate of need
to an	h a copy of the site's plo d from the site on an 8 MIT BLUEPRINTS. Sim	1/2" x 11" sheet of	f white p	paper, single or double-	sided. DO NOT
1)	Plot Plan must include:	ox.			
	a. Size of site (in acre	s); Response: 1.6	65 Acre	28	
	b. Location of structure	e on the site;			
	c. Location of the prop	osed construction/r	enovatio	on; and	
	d. Names of streets, ro	oads or highway tha	it cross	or border the site.	
Response	a: A copy of the Plo	t Plan is provi	ded as	Attachment Secti	on A-6B-1
2)	Attach a floor plan dra rooms (noting private of by 11 sheet of paper or	ir semi-private), and	cillary ar	reas, equipment areas,	g of patient care etc. On an 8 ½
Response	A copy of the Flo	or Plan is prov	ided a	s Attachment Sect	ion A-6B-2
3)	Describe the relationshighway or major road proposed site to patient	d developments in	oublic tra the are	ansportation routes, if a ea. Describe the acc	any, and to any essibility of the
Response Transpor	<u>:</u> tation will primaril	lv be by car or	ambul	ance. The site is	located
	the intersection of				TOCACGG
Attachme	nt Section A-6A 6B-1 a-c	1 602 602			

7.	Type of Institution (Check as appropriatemore than one response may apply)
	A. Hospital (Specify) Department X H. Nursing Home B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty C. ASTC, Single Specialty D. Home Health Agency E. Hospice F. Mental Health Hospital G. Intellectual Disability Institutional Habilitation Facility ICF/IID H. Nursing Home J. Rehabilitation Facility K. Residential Hospital L. Nonresidential Substitution— Based Treatment Center for Opiate Addiction M. Other (Specify)
Che	eck appropriate lines(s).
8.	Purpose of Review (Check appropriate lines(s) - more than one response may apply)
	A. New Institution B. Modifying an ASTC with limitation still required per CON C. Addition of MRI Unit D. Pediatric MRI E. Initiation of Health Care Service as defined in T.C.A. §68-11-1607(4) (Specify) F. Change in Bed Complement [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] G. Satellite Emergency Dept. X H. Change of Location Other (Specify) I. Other (Specify)
9.	Medicaid/TennCare, Medicare Participation
	MCO Contracts [Check all that apply]
	X AmeriGroup X United Healthcare Community Plan X BlueCare X TennCare Select
	Medicare Provider Number 44-0048
	Medicaid Provider Number 0440048
	Certification Type Hospital
	If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?
	Medicare X Yes No N/A Medicaid/TennCare X Yes No N/A

A.											
	,	Current Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempted	<u> TOTAL</u> Beds at Completion				
1)	Medical	590	477	Proposed	Approved	Exempted	590				
2	Surgical			-		-					
3)	ICU/CCU	80	72		\$ 		80				
47	Obstetrical			0							
5)	NICU						 /				
6)	Pediatric										
7)	Adult Psychiatric					-					
8)	Geriatric Psychiatric	1 1					3				
9)	Child/Adolescent Psychiatric						-				
10)			·====//			-	3				
11)	,		-								
12) Child/Adolescent Chemical Dependency											
13)	Long-Term Care Hospital			***********							
14)	Swing Beds				-						
15)	Nursing Home – SNF (Medicare only)										
16)	Nursing Home – NF (Medicaid only)	-	***************************************	4	***************************************	•					
17)	* * *	lly			-		-				
18)	Nursing Home - Licensed (non-certified)	-			-						
19)	ICF/IID	7					-				
20)	Residential Hospice			-		3 5					
•	DTAL	706	549			:(1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	706				
*B	eds approved but not yet in serv			% per 3 year pr	nvision		_706				
Respons	Describe the reasons for change existing services. Attachment Set This project does or initiation of r	Section A-10. s not involve	addition	al inpatio	ent beds,	major me	edical				
Respons	Please identify all the applic component. If applicable, com e: The applicant doe licensed bed change	plete chart below. s not have ar					- 1				
(/ a_1	CON Expiration Total Licensed Beds CON Number(s) Date Approved										
Sec. 193											
-	×										
-							- 1				
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11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply:

Response: N/A

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson				Lauderdale			
Bedford				Lawrence			
Benton				Lewis			
Bledsoe				Lincoln			
Blount				Loudon		<u> </u>	
Bradley			<u> </u>	McMinn			
Campbell				McNairy			
Cannon				Macon		<u> </u>	
Carroll				Madison			
Carter				Marion			
Cheatham				Marshall			
Chester				Maury			
Claiborne				Meigs			
Clay				Monroe			
Cocke							
Coffee				Montgomery Moore	<u> </u>		
Crockett							
Cumberland				Morgan			
				Obion			
Davidson				Overton			
Decatúr				Perry			
DeKalb				Pickett			
Dickson				Polk			
Dyer				Putnam			
Fayette				Rhea			
Fentress				Roane			
Franklin				Robertson			
Gibson				Rutherford			
Giles				Scott			
Grainger				Sequatchie			
Greene				Sevier			
Grundy				Shelby			
Hamblen				Smith			
Hamilton				Stewart			
Hancock				Sullivan			
Hardeman				Sumner			
Hardin				Tipton			
Hawkins				Trousdale			
Haywood			<u>_</u>	Unicoi			
Henderson				Union			
Henry	ā			Van Buren			
Hickman				Warren			0
Houston				Washington			
Humphreys				Wayne			
Jackson							
Jefferson				Weakley			
				White			
Johnson				Williamson			
Knox				Wilson			
Lake							

12. Square Footage and Cost Per Square Footage Chart

nal Reno	13,750 Ne	13,750
	13.7	750 13.750
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	13.7	750 13.750
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	15,7	15,750
	13,7	50 13,750
	\$3,643,7	750 \$3,643,750
	\$2	265.00 \$265.0
		ow 1st
n Betw		d 3rd 2nd and 3rd
3r	bove rd □ Abo artile 3rd	ove 🗆 Above
	Quadrate Qua	Below 1st Quartile Quartile Between 1st and 2nd Quartile Between 2nd and 3rd Quartile Above 3rd \$\frac{1}{2}\$

^{*}The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

^{**} Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator

- 1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
- 2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:
- A. Complete the chart below for acquired equipment. Response: N/A

A	Linear Accelerator	Mev Total Cost*: n New nefu	Types: srs in indicate in indicate in its control i
ė:	MRI	Tesla: Magnet: Total Cost*: New Refu	Breast DExtremity Dopen Description By Purchase By Lease Expected Useful Life (yrs) Description By Lease Description Descripti
43	PET	Total Cost*: New Refu	CT PET/MRI By Purchase By Lease Expected Useful Life (yrs) rbished If not new, how old? (yrs)

* As defined by Agency Rule 0720-9-.01(13)

B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

Response: N/A

C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.
Response: N/A

D. Schedule of Operations:

Response: N/A

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am - 3 pm
Fixed Site (Applicant)		
×1 1		
Mobile Locations		
(Applicant)		
(Name of Other Location)		
(Name of Other Location)		

E. Identify the clinical applications to be provided that apply to the project.

Response: N/A

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

Response: N/A

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

SECTION B: NEED

A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at http://www.tn.gov/hsda/article/hsda-criteria-and-standards.

Criteria and Standards: Construction, Renovation, Expansion & Replacement of Health Care Institutions

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Response:

This project is to add a satellite location for outpatient emergency services of Baptist Memorial Hospital-Memphis. Although Criteria and Standards for FSED are under development, no criteria have been completed or approved for utilization. Since the timing of submitting this project was dictated by the rules for simultaneous review, the applicant is required to use the current criteria.

2. For relocation or replacement of an existing licensed health care institution:

. Response:

N/A This project is to add an additional satellite location for outpatient emergency services and is not a relocation or replacement.

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.
- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

- 3. For renovation or expansions of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Response:

Item 3.b. Does Not Apply since this project is not renovation or expansion of an existing facility. The response to 3a is a description of growth in ED Service demand and the available capacity for patients of BMH-Memphis and ROH.

Continuing Growth in Emergency Department visits at BMH-Memphis

The Emergency Department (ED) at BMH-Memphis, originally named Baptist East, was expanded in 1994 to accommodate 48,000-50,000 visits per year. Another CON application for expansion was approved in 2007 because the ED had again become saturated with approximately 54,089 annual patient visits. Accordingly, a Certificate of Need was approved in February 2008 that increased the area to approx. 29,000 sq ft, which according to architectural guidelines places BMH at the top of the capacity for high range estimates which is 60,000 patient visits.

In 2014, BMH-Memphis ED reported 62,451 visits. Visits have been increasing at the rate of 3-5% per year since 2011. Construction related to the 2008 CON was in phases and was active in 2010. It was completed in January 2011. The construction may have caused some people to divert to other locations in 2010. Recently, when the Pediatric Emergency Room was opened in January 2015 with ED services relocated form BMH-Memphis to Baptist Memorial Hospital for Women, only a brief reduction in patients occurred and then it stabilized showing 62,492 visits at BMHM and 10,172 at the Pediatric ED. The total of the 2 is 72,664. In 2016, ED visit at BMH were 66,467 and 19,944 at the Pediatric ED which is a total of 86,411.

BMH Memphis ED Visits Changes per Fiscal Year										Projected	
Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
BMHM Visits	54,300	55,973	56,966	54,284	56,862	58,333	60,274	62,451	62,492	66,467	67,616
% Change		3.08%	1.77%	-4.71%	4.75%	2.59%	3.33%	3.61%			
PED Visits									10,172	19,944	22,932
TOTAL Visits	54,300	55,973	56,966	54,284	56,862	58,333	60,274	62,451	72,664	86,411	90,548
									16.4%	18.9%	4.8%

As previously explained, this project is a collaborative initiative between BMH-Memphis and Regional One Health. ED visits at Regional One Health also confirm the increasing trend:

	Re	egional O	ne Health	ED Visits		
Year	2011	2012	2013	2014	2015	2016
Visits	45,189	48,895	55,963	53,189	52,327	54,310
% Change	7	8.20%	14.46%	-4.96%	-1.62%	3.79%

B. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

Response:

This project is consistent with the long range plans of both BMH and ROH to accommodate the health needs of the patient communities they serve and to provide the highest quality, safety and service expectations.

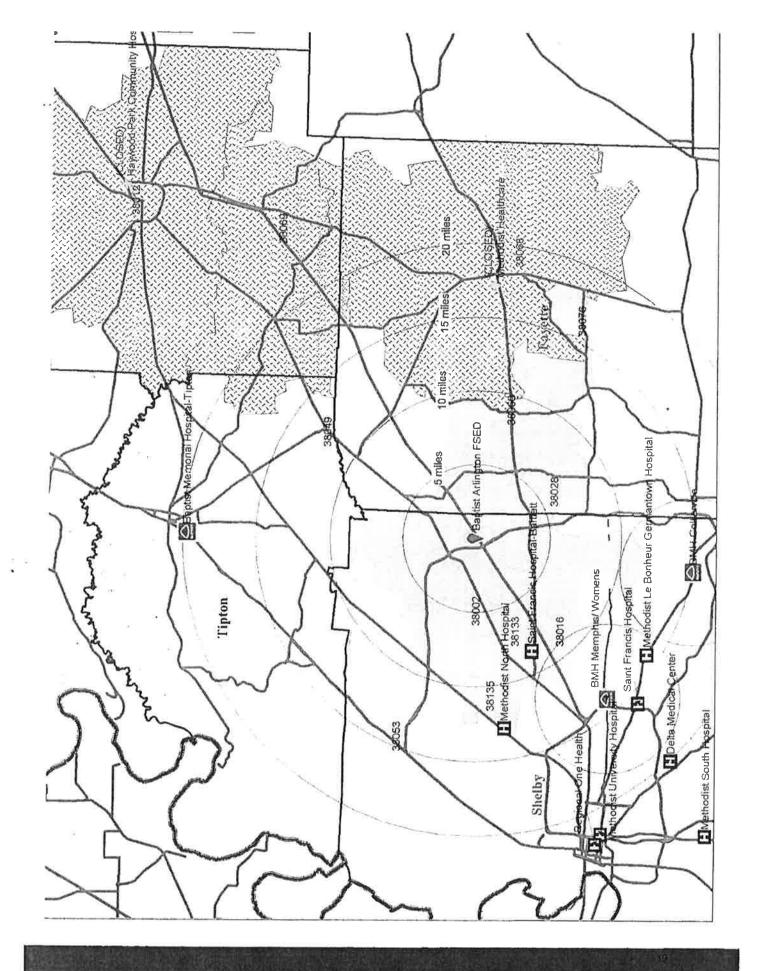
The long range plans involve preparing for the future by responding at the right time in the right place with the appropriate level of accessible health service at the right cost. This project is a direct relationship to those plans and it supported by changes in the health care market. As previously mentioned, the FSED can be a portal to medical homes for chronic care patients. FSEDs support current forces for change in health care delivery such as: (1) heightened demand for emergency services, (2) rising consumerism in health care as demonstrated by choices of quality metrics, and (3) the closing and reduction of hospital-based emergency departments, such as the reduction in hours at Delta Medical and the closing of hospitals in Haywood and Fayette counties.

C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. Attachment Section B - Need-C.

Response:

A county level map is marked as an attachment to show Shelby and Fayette as the primary counties and Tipton and Haywood as secondary counties of service for the satellite ED.

However, the zip code map on the following page is provided to identify the primary area that is the focus of this CON application. The zip codes define the primary boundaries to be evaluated for patients who are already going to the main EDs at BMH or ROH. The zip code map visually shows BMH-M and ROH patients' origins relative the proposed FSED Site. The darker shade zips are closer to the FSED. Although the lighter shade zips are farther away, they represent residences of current BMH and ROH patients. Reaching the location of the FSED will require less travel time because it is at an intersection of I-40 or will be an alternative during peak load periods at the main facilities. The hatched zips represent locations where a local hospital closed, and patients chose BMH and ROH for service.



Distance from Service Area Zip Code Centroid to Arlington FSED

ZIP Code	Community	Distance in Miles		
38002	Arlington	4.7		
38012	Brownsville	35.5		
38016	Cordova	11		
38018	Cordova	13		
38028	Eads	6.7		
38049	Mason	15.8		
38053	Millington	19.9		
38060	Oakland	13.2		
38068	Somerville	21.6		
38069	Stanton	24.9		
38076	Williston	22		
38133	Memphis	9.4		
38135	Memphis	15.5		

Sources: Google Maps, centroid of zip codes

Distance from Arlington FSED to Hospital EDs

procence	TIOM ATTINGEON FEED to	HOSDICAL EDS
Hospital	Hospital Address	Distance in Miles
Meth Germ	7691 Poplar Ave. Germantown, TN 38138	16
Meth North	3960 New Covington Pike Memphis, TN 38128	18.9
Meth South	1300 Wesley Dr. Memphis, TN 38116	30.9
Meth Uni	1265 Union Ave. Memphis, TN 38104	27.5
Bapt Mem	6019 Walnut Grove Rd Memphis, TN 38120	16.7
Bapt Cvlle	1500 W Poplar Ave Collierville, TN 38017	23.1
Bapt Tipton	1995 Hwy 51 S Covington, TN 38019	23.7
Delta	3000 Getwell Rd Memphis, TN 38118	23.7
St Francis	5959 Park Ave Memphis, TN 38119	19.3
St Francis Bartlett	2986 Kate Bond Rd. Bartlett, TN 38133	9.3
ROH	877 Jefferson Ave Memphis, TN 38103	28

Source: Google Maps

Please complete the following tables, if applicable:

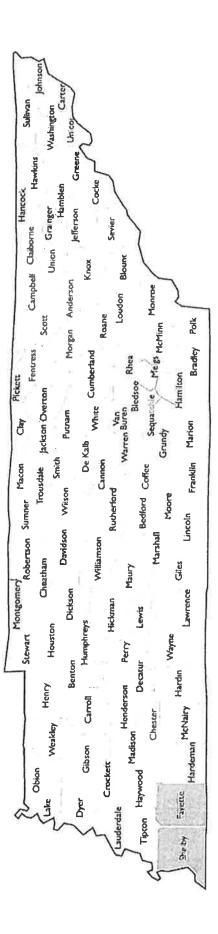
2015 Base planning year for Baptist emergency departments

Service Area Zips	Historical Utilization-Zip Residents	% of total procedures
38002	1,439	11.7%
38012	314	2.5%
38016	2,595	21.0%
38018	1,205	9.8%
38028	529	4.3%
38049	932	7.6%
38053	1,137	9.2%
38060	575	4.7%
38068	927	7.5%
38069	373	3.0%
38076	152	1.2%
38133	1,154	9.4%
38135	1,007	8.2%
TOTAL	12,339	100%

Projected Year 1 Arlington FSED

Service Area Zips	Projected Utilization-Zip Residents	% of total procedures
38002	955	7.7%
38012	127	1.0%
38016	1181	9.6%
38018	522	4.2%
38028	342	2.8%
38049	514	4.2%
38053	504	4.1%
38060	329	2.7%
38068	491	4.0%
38069	160	1.3%
38076	74	0.6%
38133	512	4.1%
38135	496	4.0%
TOTAL	6,207	100%

County Level Map



- C. 1).. a) Describe the demographics of the population to be served by the proposal
 - b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: http://www.tn.gov/health/article/statistics-population
TennCare Enrollment Data: http://www.tn.gov/tenncare/topic/enrollment-data

Census Bureau Fact Finder: http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

	De	Department of Health/Health Statistics						Bureau of the Census				TennCare	
Demographic Variable/Geograp hic Area	Total Population- Current Year	Total Population- Projected Year	Total Population-% Change	*Target Population- Current Year	*Target Population- Project Year	*Target Population- % Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	eve	Person Below Poverty Level as %	TennCare Enrollees	TennCare Enrollees as % of Total Population
Shelby	964,804	986,423	2.24%	N/A	N/A	N/A	N/A	34.9	\$46,224	206,468	21.4%	281,655	29.2%
Fayette	45,626	49,441	8.36%	N/A	N/A	N/A	N/A	43.7	\$54,890	6,342	13.9%	7,284	16.0%
Tipton	68,247	72,169	5.75%	N/A	N/A	N/A	N/A	37	\$53,669	9,282	13.6%	14,293	20.9%
Haywood	18,348	18,048	-1.64%	N/A	N/A	N/A	N/A	39.9	\$34,182	4,183	22.8%	6,047	33.0%
Service Area Total	1,097,025	1,126,081	2.65%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	309,279	28.2%
State of TN Total	6,887,572	7,179,512	4.24%	N/A	N/A	N/A	N/A	38.4	\$45,219	1,212,213	17.6%	1,559,209	22.6%
A SANGER OF SAME SAME			122110		1000	197100	i jegov			Sallet 1			
38002	46,900	50,254	7.15%	N/A	N/A	N/A	N/A	37.5	\$93,603	2,345	5.0%	N/A	N/A
38012	14,012	13,942	-0.50%	N/A	N/A	N/A	N/A	39.9	\$33,650	3,349	23.9%	N/A	N/A
38016	47,857	50,235	4.97%	N/A	N/A	N/A	N/A	34.7	\$66,754	3,159	6.6%	N/A	N/A
38018	38,014	39,769	4.62%	N/A	N/A	N/A	N/A	35.2	\$68,109	3,839	10.1%	N/A	N/A
38028	6,979	7,376	5.69%	N/A	N/A	N/A	N/A	48.8	\$93,892	230	3.3%	N/A	N/A
38049	4,698	4,725	0.58%	N/A	N/A	N/A	N/A	41.5	\$35,826	1,048	22.3%	N/A	N/A
38053	28,377	28,683	1.08%	N/A	N/A	N/A	N/A	40.2	\$ 51,423	4,625	16.3%	N/A	N/A
38060	10,431	11,041	5.85%	N/A	N/A	N/A	N/A	37.4	\$64,636	636	6.1%	N/A	N/A
38068	10,668	10,699	0.29%	N/A	N/A	N/A	N/A	42.5	\$41,048	1,942	18.2%	N/A	N/A
38069	2,440	2,398	-1.72%	N/A	N/A	N/A	N/A	38	\$33,784	569	23.3%	N/A	N/A
38076	793	786	-0.91%	N/A	N/A	N/A	N/A	48.8	\$50,536	82	10.3%	N/A	N/A
38133	21,698	22,197	2.30%	N/A	N/A	N/A	N/A	37.3	\$67,606	2,148	9.9%	N/A	N/A
38135	31,556	32,406	2.69%	N/A	N/A	N/A	N/A	39.4	\$77,989	1,704	5.4%	N/A	N/A
Service Area Total	264,422	274,511	3.82%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State of TN Total	6,887,572	7,179,512	4.24%	N/A	N/A	N/A	N/A	38.4	\$45,219	1,212,213	17.6%	1,559,209	22.6%

^{*} Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response:

- Special Needs for the ED will primarily be age related. Pediatric and geriatric patients will be accommodated.
- D. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

Response:

There are no CON approved and unimplemented FSEDs in the service area.

Each emergency department location within the zip code area or county is listed in the chart below with the emergency room visit utilization from the Hospital Joint Annual Report. It is unclear whether the visits include left without being seen "LWBS" and left against medical advice "LAMA".

HOSPITAL NAME	ED Rooms	2011 Visits	2012 Visits	2013 Visits	2014 Visits	2015 Visits
Methodist University	38	56,725	60,902	62,587	64,724	70,051
Methodist South	37	59,346	62,659	62,300	63,086	65,601
Methodist North	43	59,726	66,862	69,062	68,359	72,247
Methodist Germantown	38	48,109	53,937	54,914	53,817	57,468
Regional One	51	45,189	48,985	55,963	53,187	52,327
Baptist-Memphis	52	56,862	58,333	60,274	62,451	62,492
Baptist Women	8					10,172
Baptist-Collierville	13	16,602	17,735	16,714	14,690	17,219
St Francis-Park	38	39,853	42,198	44,856	50,100	54,522
St Francis-Bartlett	30	31,353	36,561	36,616	36,103	42,220
Delta Medical Center	13	24,350	24,385	26,459	23,963	25,556
Total		438,115	472,557	489,745	490,480	529,875

F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response

The projection for year 1 is 6,207 visits and year 2 is 9,248 visits. The projections are based on conservative estimates of the proportion of patients as

the proximate zip codes who will use the satellite ED.

BMH Memphis ED	BMH Memphis ED and PED Visits Fiscal Year						
Year	2014	2015	2016	2017			
BMHM Visits	62,451	62,492	66,467	67,616			
PED Visits		10,172	19,944	22,932			
TOTAL Visits	62,451	72,664	86,411	90,548			

SECTION B: ECONOMIC FEASIBILITY

- A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)

Response:

The chart has been completed on the following page. The project cost excluding CON filing fee is \$9,971,344.

2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response:

The cost of the project which will involve a developer and lease for the building, according to CON rule, is higher than the market value costs.

The project cost comparison of the fair market value of completing the project without a developer to the lease arrangement including a developer is shown on the following page. The fair market amount of \$9,328,001 is less that the cost involving a lease arrangement with a developer at a cost of \$10,028,678. The lease arrangement was used to calculate the cost of the project.

3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Response:

The equipment value is \$3,393,044. Major fixed equipment items are not part of the project.

The amounts for the equipment are shown in the following list:

Equipment over \$50,000

Name	Est. Cost
Omnicell	\$71,192
Bed Alarm System	\$99,456
X-Ray	\$250,000
Ultrasound	\$50,000
Computerized Tomography	\$500,000
Security Surveillance	\$124,320

4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

Response:

The Square Footage Chart has been completed. The construction will be done according to codes including Life Safety and American Institute of Architects for the type of construction. The FSED will be 13,750 sq ft at a cost of approx. \$3,643,750 yields a cost per sq ft of \$265. The amount is between the 1^{st} Quartile (\$244.85) and 2^{nd} Quartile (\$308.43).

- 5) For projects that include new construction, modification, and/or renovation—<u>documentation</u> <u>must be</u> provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
 - a) A general description of the project;
 - b) An estimate of the cost to construct the project;
 - c) A description of the status of the site's suitability for the proposed project; and
 - d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

Response:

Estimated construction amounts are provided in the letter from an architect on Attachment Section A-4A

PROJECT COST CHART

			Le	ease Developer
A.		action and equipment acquired by purchase:		
	1	Architectural and Engineering Fees	\$	
	2	Legal, Administrative (Excluding CON Filing Fee),	\$	40,100.00
	3	Consultant Fees Acquisition of Site	-	
	4	Preparation of Site	\$	251,450.00
	-5	Total Construction Costs	Ψ_	201,400.00
	6	Contingency Fund		
	7	Fixed Equipment (Not included in Construction	•	2 242 204 00
	I	Contract)	\$	3,213,301.00
	8	Moveable Equipment (List all equipment over		
	-	\$50,000 as separate attachments)		
	9	Other (Specify)	-	
B.	Acquisi	tion by gift, donation, or lease:		
- 0	1	Facility (inclusive of building and land)	\$	6,466,493.00
	2	Building only	<u> </u>	0,100,100.00
	3	Land only		
	4	Equipment (Specify)_	-	
	5	Other (Specify)	-	
	J	Other (Openly)		
C.	Financii	ng Costs and Fees:		
	1	Interim Financing		
	2	Underwriting Costs		
	3	Reserve for One Year's Debt Service		
	4	Other (Specify)		
D.	Estimate	ed Project Cost (A+B+C)	\$	9,971,344.00
_ ,	CON FILE		•	F7.00.4
Ε, Θ	CON Filir	ng ree	\$_	57,334
F: " '	Total Esti	mated Project Cost (D+E)		
	то	TAL	\$	10,028,678.00

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-B.)

- 1) Commercial loan Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- __ 2) Tax-exempt bonds Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- General obligation bonds Copy of resolution from issuing authority or minutes from the appropriate meeting;
- 4) Grants Notification of intent form for grant application or notice of grant award;
- X 5) Cash Reserves Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ____ 6) Other Identify and document funding from all other sources.

Response:

CFO letters from BMHCC and ROH are provided on Attachment Section B-Economic Feasibility-B

C. Complete Historical Data Charts on the following two pages—<u>Do not modify the Charts provided</u>
or submit Chart substitutions!

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

HISTORICAL DATA CHART

Total Facility

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in Oct

A.	Utilization Data (Discharges)		Year 2014 24,737		Year 2015 25,802		Year 2016 25,534
B	Revenue from Services to Patients						
u.	Inpatient Services	•	1 207 547 625	ď	1 405 455 000		4 400 000 740
	Outpatient Services	\$	1,287,547,625	\$	1,405,455,909	\$	1,462,028.719
	3. Emergency Services	\$	635,596,729 87,259,083	\$	678,296,168 118,670,517	\$	738,647.634
	Other Operating Revenue (Specify) cafeteria.	- 3	67,239,063		110,070,517	- 5	145,794.623
	gift shop, etc.	\$	16,698,984.11	\$	14,414,575.51	\$	15,656,892.47
	Gross Operating Revenue	Š	2,027,102,422	\$	2,216,837,170	\$	2,362,127,868
			2,021,102,422	Ψ_	2,210,001,170	Ψ.	2,302,127,000
C _c	Deductions from Gross Operating Revenue						
	Contractual Adjustments	\$	(1,424,742,936)	\$	(1,596,748,468)	\$	(1,743,428,766)
	Provision for Charity Care	\$	(54,578,785)	\$	(59,139,434)	\$	(64,583,632)
	Provisions for Bad Debt	\$	(73,607,837)	\$	(54,911,673)	\$	(60,252,012)
	Total Deductions	\$	(1,552,929,558)	\$	(1,710,799,575)	\$	(1,868,264,410)
NE	T OPERATING REVENUE	\$	474,172,864	\$	506,037,595	\$	493,863,458
-	Described Forman						
D.	Operating Expenses		407 400 574				
	Salaries and Wages a. Direct Patient Care	\$	197,160,371	\$_	188,882,456	_\$_	197,897,877
	b. Non-Patient Care	-		-		_	
	2. Physician's Salaries and Wages	_		_		-	
	3. Supplies	\$	124 470 450 80	•	440 000 004 47	-	440 004 000 00
	4. Rent	<u> </u>	131,176,150.86	\$	142,906,881.47	\$	140,904,359.66
	a. Paid to Affiliates	•	578,581	•	612,571	ď	60E 786
	b. Paid to Non-Affiliates	\$	494,515	\$	514,337	\$	625,786 594,782
	5. Management Fees:	Ψ	494,010	Φ.	314,337	-3	394,752
	a, Paid to Affiliates	\$	77,132,582	\$	63,216,120	\$	73,003,980
	b. Paid to Non-Affiliates		77,102,002		00,210,120	-	73,003,360
	6. Other Operating Expenses	\$	83,535,327	\$	72,317,160	\$	75,471,263
	Total Operating Expenses		490,077,526	\$	468,449,526	\$	488,498,047
						-	10011001011
E.	Earnings Before Interest, Taxes and Depreciation	\$	(15,904,663)	\$	37,588,069	\$	5,365,411
F⊯	Non-Operating Expenses			-			
	1. Taxes	\$	1,817,757	\$	1,607,440	\$	1,549,798
	2. Depreciation	\$	23,276,262	\$	22,496,920	\$	20,427,449
	3. Interest	\$	490	\$	490		
	4. Other Non-Operating Expenses	\$	2,173,517	\$	2,225,773	\$	1,685,642
	Total Non-Operating Expenses	\$	27,268,026	\$	26,330,622	\$	23,662,889
	Non-Operating Revenue	\$	9,294,916	\$	(2,015,397)	\$	(4,997,378)
	Wante Want						
Nt	ET INCOME (LOSS)	\$	(33,877,773)	\$	9,242,050	\$	(23,294,856)
G.	Other Deductions						
G.	Annual Principal Debt Repayment	•	47 470 000		4 770 700	•	
	Annual Capital Expenditure	\$	17,170,000	\$	1,752,500	\$	16,925,000
	Total Other Deductions		650,464	\$	530,508		407,915
	Total Other Deductions	Ф	17,820,464	_\$	2,283,008	\$	17,332,915
	NET BALANCE	c	/51 608 237\	¢	6 060 042	æ	(40 627 774)
	NET BALLITOL,	Ψ	(51,698,237)	\$	6,959,042	\$	(40,627,771)
	DEPRECIATION	S	23,276,262	\$	22,496,920	\$	20,427,449
		Ψ	20,210,202	-	££, 730,320	- 4	20,727,743
	FREE CASH FLOW (Net Balance + Depreciation)	\$	(28,421,975)	\$	29,455,962	\$	(20,200,322)
	, , , , , , , , , , , , , , , , , , , ,		1-1-1-101-01	_		_	[20,200,022]

HISTORICAL DATA CHART-OTHER EXPENSES

□ Total Facility

THER EXPENSES CATEGORIES	Year 2014	Year 2015	Year 2016
# Purchased Svcs	\$ 11,104,823	\$ 10,989,676	\$ 11,136,201
Insurance Expense	\$ 255,733	\$ (2,213,111)	\$ 5,003,390
", Utilities	\$ 5,726,739	\$ 5,574,333	\$ 5,390,043
Repairs & Maintenance	\$ 10,332,941	\$ 10,821,077	\$ 11,678,381
Loss on Asset Impairment	\$ 10,275,321		
Professional Fees	\$ 26,355,046	\$ 29,428,984	\$ 29,811,137
Medicaid Assessment	\$ 12,473,573	\$ 12,350,028	\$ 8,259,832
Misc	\$ 7,011,151	\$ 5,366,174	\$ 4,192,279
Total Other Expenses	\$ 83,535,327	\$ 72,317,160	\$ 75,471,263

D. Complete Projected Data Charts on the following two pages – <u>Do not modify the Charts provided or submit Chart substitutions!</u>

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. Only complete one chart if it suffices.

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

PROJECTED DATA CHART

Project Only

Give information for the last.two (2) years following the completion of this proposal. The fiscal year begins in OCT

			Year	1	Year	2
Α.	Utilization Data (Visits)			6,207		9,248
B.	Revenue from Services to Patients 1. Inpatient Services 2. Outpatient Services 3. Emergency Services 4. Other Operating Revenue (Specify)		\$	23,652,390	\$	36,713,711
	other operating Nevertae (operaty)_	Gross Operating Revenue	\$	23,652,390	\$	36,713,711
	Deductions from Gross Operating Reven 1. Contractual Adjustments 2. Provision for Charity Care 3. Provisions for Bad Debt COPERATING REVENUE	ue Total Deductions	\$ \$ \$ \$	14,621,155 47,300 3,627,802 18,296,256 5,356,134	\$ \$ \$	23,342,837 73,418 5,636,868 29,053,123 7,660,588
D.	Operating Expenses 1. Salaries and Wages a. Direct Patient Care b. Non-Patient Care 2. Physician's Salaries and Wages		\$	3,036,433	\$	3,319,579
	Supplies Rent a. Paid to Affiliates		\$	803,421	\$	1,149,088
	 b. Paid to Non-Affiliates 5. Management Fees: a. Paid to Affiliates b. Paid to Non-Affiliates 6. Other Operating Expenses 	otal Operating Expenses	\$ \$ \$ \$	1,249,881 267,807 88,272 536,681 5,982,494	\$ \$ \$ \$	383,029 118,619 546,856 6,788,524
E. F.	Earnings Before Interest, Taxes and Depr Non-Operating Expenses		\$	(626,360)	\$	872,064
	 Taxes Depreciation Interest Other Non-Operating Expenses 	3	\$	382,402	\$	381,825
		Ion-Operating Expenses	\$	382,402	\$	381,825
NE	ET INCOME (LOSS)	,	\$	(1,008,763)	_\$	490,239
G.	Other Deductions 1. Annual Principal Debt Repayment 2. Annual Capital Expenditure					
		Total Other Deductions	\$		\$	
		NET BALANCE	\$	(1,008,763)	\$	490,239

DEPRECIATION	_\$	382,402	\$ 381,825
FREE CASH FLOW (Net Balance + Depreciation)	\$	(626,360)	\$ 872,064

PROJECTED DATA CHART-OTHER EXPENSES

□ Project Only

OTHER EXPENSES CATEGORIES	Year	Year		Year	
1 Maintenance	\$	249,976	\$	254,591	
2 Utilities	\$	259,925	\$	264,723	
3 Operating Expense	\$	26,780	\$	27,543	
4					
5					
6	-				
7					
Total Other Expenses	\$	536,681	\$	546,856	

E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (Gross Operating Revenue/Utilization Data)	N/A	N/A	\$3,810.60	\$3,969.72	4.18%
Deduction from Revenue (Total Deductions/Utilization Data)	N/A	N/A	\$2,947.68	\$3,141.41	6.57%
Average Net Charge (Net Operating Revenue/Utilization Data)	N/A	N/A	\$ 862.92	\$ 828.31	-4.01%

2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

Response:

The proposed charges are based on current charges at Baptist Memorial Hospital. The charges include elements specific to the emergency department in addition to revenue from imaging, lab and other services that are typically departmentalized in a hospital. For example, BMH Memphis has a CT and X-ray room within the walls of the Emergency Department. However, the imaging services operate as part of the hospital's radiology department. At the FSED, the imaging services will operate as a component of that facility.

3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response:

A representative charge schedule is shown below. Charges will not change as a result of this project

CPT Code	Procedure Level	Current Rate	CMS Reimbursement
99281	HC ED LEVEL ONE	\$ 324.00	\$ 56.56\$
99282	HC ED LEVEL TWO	\$ 419.00	\$105.46
99283	HC ED LEVEL THREE	\$ 688.00	\$185.51
99284	HC ED LEVEL FOUR	\$1,919.00	\$312.13
99285	HC ED LEVEL FIVE	\$3,004.00	\$460.69

F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide

financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment Section B-Economic Feasibility-F1. NOTE: Publicly held entities only need to reference their SEC filings.

Response:

Balance Sheets and Income Statements from both BMH and ROH are provided as Attachment Section B-Economic Feasiblity-F1.

The project will provide positive cash flow in year 2 as demonstrated by the Projected Data sheets.

2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	-0.03	0.07	0.01	-0.12	0.11

3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt+Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

Response:

Not Applicable, this project will not require long term debt.

G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Applicant's Projected Payor Mix, Year 1

Response:

Please refer to the chart below

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	\$9,639,244	40.75%
TennCare/Medicaid	\$6,234,296	26.36%
Commercial/Other Managed Care	\$3,298,767	13.95
Self-Pay	\$1,690,728	7.15%
Charity Care	\$47,300	2%
Other (Specify) Workers Comp, PPO	\$2,742,055	11.59%
Total	\$23,652,390	100%

H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Response:

Team Health has the manpower, expertise and other resources necessary to fill the emergency physician staffing needs.

Other FTEs are shown in the chart below.

Arlington	Median		
Title	FTE	TN	ВМН
RNs	8.2	\$27.10	\$27.84
Director	1	\$40.54	\$55.25
Respiratory Therapist	3.5	\$23.16	\$28.85
Medical Assistant	3.3	\$13.48	\$14.00
Manager	1	\$37.86	\$37.30
MM Tech	1.	\$11.56	\$11.55
Lab Tech	3.2	\$16.81	\$26.50
Ultrasound Tech	3.2	\$23.49	\$28.15
CT Tech	3.3	\$24.45	\$25.50

- 1. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - 1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

Response:

One option was to initiate plans to enlarge the existing emergency department at BMH Memphis. During the most recent expansion the foot print was extended as far as possible to the north, as well as phased construction was used to minimize disruption in service to patients. Additional construction would be complicated to stage without severe interruption of service.

Another option was to continue efforts to improve work flow in the existing area. However, the improvement in work flow does not stem the increasing demand.

This solution of offering services off campus not only improves access for Baptist patients and prevents future service disruption, but it also involves another community provider in improving access to their patients.

2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

Response:

As demonstrated by previous applications, the applicant has tried to address the continuing growth in ED services. Memphis is somewhat unique in that exclusive insurance arrangements influence patient's choice of provider.

The applicant is continuing efforts to improve work flow in the existing area. However, the improvement in work flow does not stem the increasing demand.

SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

Response:

The proposed satellite emergency department has a joint operating agreement to include Regional One and Baptist. Relationships with entities throughout the Baptist System and other providers in the community will continue and build on working relationships and have access to other facilities through the county.

B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Positive Effects

Response:

As expressed in other applications, BMHM believes this is the efficient and effective solutions to add needed emergency department capacity. It also improves quality by moving services closer to the patient.

2) Negative Effects

Response:

Education is a requirement so that patients fully understand that an emergency department and an urgent care center provide different types of care at different costs.

C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

Response:

Team Health has the manpower, expertise and other resources necessary to fill the emergency physician staffing needs. Recruitment difficulties are not anticipated.

2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

Response

90

A strength of the satellite ED is that the partners in the Joint Operating Agreement, that are BMH and ROH are both established Joint Commission accredited hospital and licensed by the Tennessee Department of Health. Both are knowledgeable and understand the requirements and regulations concerning physician supervision, credentialing, admission privileges, quality assurance polies and programs, utilization review policies and programs, record keeping, and staff education.

3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response

Baptist Memorial Health Care Corporation is a strong supporter of educational opportunities throughout the region. Baptist's Philosophy and Mission for the system states that, "... it seeks to ENCOURAGE, GUIDE, and INSTRUCT those individuals entering into professions related to the healing of the body, mind and spirit."

Baptist Memorial College of Health Sciences was chartered in 1994 as a specialized college offering baccalaureate degrees in nursing and in allied health sciences as well as continuing education opportunities for healthcare professionals.

The four year BHS degree includes radiology training in areas of diagnostic medical services, and radiographic technology. BMH will participate to make student learning opportunities available as circumstances allow.

D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Response

BMH and ROH have reviewed and understand the licensure requirements of the Department of Health and applicable Medicare certification requirements. Both are well versed through operation of large emergency department on their respective campuses.

Licensure:

Response

Health Facilities Licensure will be through the existing hospital license Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.):

Response

The applicant is both Medicare and Tenncare certified.

Accreditation (i.e., Joint Commission, CARF, etc.):

Response

Joint Commission accreditation is planned

1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

Response - A copy of the BMH License is provided as Attachment Orderly Development 4(A)

2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

Response

The last completed licensure/certification with an approved plan of correction is included as Attachment Orderly Development 4(B).

3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

Response:

The last completed licensure/certification with an approved plan of correction is included as Attachment Orderly Development 4(A).

a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

Response:

Not Applicable

- Respond to all of the following and for such occurrences, identify, explain and provide documentation:
 - 1) Has any of the following:
 - a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

Response:

None

b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

Response:

None

c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

Response:

None

- 2) Been subjected to any of the following:
 - a) Final Order or Judgment in a state licensure action;

Response

None

b) Criminal fines in cases involving a Federal or State health care offense;

Response

None

c) Civil monetary penalties in cases involving a Federal or state health care offense;

Response

None

d) Administrative monetary penalties in cases involving a Federal or State health care offense; Response

None

e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

Response

None

f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs. Response

None

g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

Response

None

h) Is presently subject to a corporate integrity agreement.

Response

None

- F. Outstanding Projects:
- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

	<u>o</u>	utstanding P	rojects		
0011		<u>Date</u>	*Annual Pro	Expiration	
CON Number	Project Name	Approved	Due Date	Date Filed	Date
CN1512-066	Baptist Memorial Hospital Renovate cardiac cath lab	02/24/2016	04/01/2017		4/1/2019
	 				

^{*} Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

Response

The project report is in process for the HSDA, it is being completed in phases.

- G. Equipment Registry For the applicant and all entities in common ownership with the applicant.
 - 1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)?

Response

BMH Memphis has CTs, Linear Accelerators, MRIs, and PETs.

2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?

Response

BMH Memphis received notice of completed submission confirmation from Alecia Craighead on June 24, 2016.

3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

Response

BMH Memphis received notice of completed submission confirmation from Alecia Craighead on June 24, 2016.

SECTION B: QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

Response

The applicant will report any necessary quality measures as determined by the agency pertaining to the Certificate of Need.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at http://www.tn.gov/health/topic/health-planning). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the <u>5 Principles for Achieving Better Health</u> found in the State Health Plan.

A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

Response

9

The proposed project is an example of collaboration between two providers in

the Metropolitan area- Baptist Memorial Hospital and Regional One Health. It will place emergency services closer to the patients' residences of both providers in a care setting that is friendly for multiple generations. The location will be equipped to address several levels along the continuum of care. Technology will link resources for chronic disease management in patient episodes requiring immediate attention. At the other end of the continuum, opportunities will encourage community residents and their families to learn and participate to the extent possible in their personal care.

B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

Response

Access to emergency medical services in a focused local setting is not restricted by existing health status, employment, income, geography or culture. Access is provided to professional staff sponsoring health services, education and activities that reduce risk and improve health. Convenient access to ED services can improve the care experience and satisfaction with the attention received.

Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

Response

The new ED setting will be equipped for diagnosing and effective treating of patients with emergent needs closer to their residences. Economic efficiencies involve reducing the load at existing complex larger main hospitals. Patient delays will be minimized by reduced waiting that is possible by providing space for faster flow of patients through the smaller care setting. Systems improvements that innovatively improve the health care system will result. Collaboration will be encouraged among medical providers without unnecessarily duplicating services.

D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

Response

The new ED's telecommunication and electronic health record tools will ensure that patient information is appropriately accessible to providers and that patients can be effectively involved. Medical professionals will work in a setting that supports effective utilization and a high quality of work life.

E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

Response

This project includes healthcare professionals who are dedicated to providing emergency services care for multiple generations and are already engaged in providing the services. The proposed ED will provide care in a setting that is comforting to patients and families and effective for professionals. The setting will be accessible to medical, nursing, allied health and educational institutions including the BMH College of Health Sciences.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

Response

A page from the Commercial Appeal is provided.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

Tunica, MS on June You were possibly og to CA. Please call on Chattanooga, TN 678)313-1355

rering my prayersi BN THANK YOU INT EXPEDITE

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ent Wanted

U IN NEED of an

IVER 20+ yrs. exp. Care. Sat. & Sun. s, evenings or nights. ransportation, light eeping. 901.650.7759 -2429 901-846-2267 ercare Provider mings, Overnight and Excellent references

Find help here!
The Commercial Appeal Localifieds

MAL ASST./ SITTER
g employment, 20 yrs.
Cert. CPR, flex. hrs.,
e trans. insured. Refs.
all. (901)205-8837. FIED NURSING ASST. g For Work to care for yed one. PT, FT, 24 hr. Nights/wknds. Refs. udrey, 901-736-7222 ER - Compassionate & able, seeking live- in , for 2-weekends per Mon. Thurs, nights to your elderly love one. onal ref. 901-513-0640

ty Retired NURSING int/Caregiver, spinal ury & geriatric demen-oriance reference are-

DISCOUNT



BARBER & BEAUTY SHOP

2 chair shop, 1 shampon station. Excellent location at Petro in West Memphis, AR. The Best Offer. 870-735-3935 The state of the s



ANITORIAL FRANCHIS Bonus Building Care

3910 S. Perkins Cut Off Rd. \$1000 down required. Mphs, Tn. 38118



egal Notices

NOTICE OF FORECLOSURE SALE STATE OF TENNESSEE, SHELBY COUNTY

Illding Supplies

WHEREAS, Betty Bonds and Warren Bonds executed a Deed of Trust to Mortgage Electronic Registration Systems, Inc., as nominee for America's Wholesale Lender, Lender and Robert M. Wilson, Trustee(s), which was dated January 29, 2007 and recorded on February 6, 2007 in Instrument No. 07023621, Shelby County, Tennessee Register of

which a certificate of need is required. The total project cost for

beds, major medical services or Initiation of new services for

TN, 38002. This project does not involve additional inpatient

of Interstate 40 and Airline Road on the east side, in Arlington.

purposes of the certificate of need application is estimated at

\$10,028,678.

The anticipated date of filling the application is:

The contact person for this project is

Arthur Maples

and Palin

January 25, 2017.

Brock & Scott, PLIC, Substitute Trustee, by virtue of the power and authority vested in it, will on February 7, 2017, at 10:00AM at the usual and customary location at the Shelby County Courthouse, Memphis, Tennessee, proceed to sell at public outery to the highest and best bidder for cash, the following described property situated in Shelby County. Tennessee, to wit: Lot 359, Section I, Cedarwood Subdivision, as shown on plat egal Notices

Tennessee.
Parcel ID Number:
00134W00000110
Address/Description: 5345
Breckenwood Drive, Memphis,
TN 38127.

Current Owner(s): Betty Bonds.
Other interested Party(ies): N/A
The sale of the property
described above shall be subject to all matters shown on
any recorded plat; any and
all liens against said property
for unpaid property taxes; any
restrictive covenants, ease-

Development Agency and all interested parties, in accordance based health services will be located North of the intersection Shelby County, Tennessee 38120. The building containing the service such as CT, X-Ray and ultra-sound. Baptist Memorial with T.C.A. § 68-11-1601 et seq., and the Rules of the Health proposed satellite emergency facility and other communityhave 10 treatment rooms and will include various supportive of Baptist Memorial Hospital. The proposed new facility will by: itself, intends to file an application for a Certificate of with an ownership type of Corporation and to be managed This is to provide official notice to the Health Services and Hospital is located at 6019 Walnut Grove Road, Memphis, Emergency Department to be operated under the license Need for: construction and establishment of a satellite Baptist Memorial Hospital, a Hospital owned by: itself, NOTIFICATION OF INTENT TO APPLY FOR A Services and Development Agency, that: CERTIFICATE OF NEED

Department 6 Cadillac Drive, Suite 149 Brentwood, TN 37027 PH: 615-550-7697 FX: 615-550-8484

NOTICE OF SUBSTITUTE TRUSTEE S SALE WHEREAS, default
has occurred in the performance of the covenants,
terms and conditions of a
peed of Trust dated February
2, 2009, executed by RANDY
BEARD, conveying certain real
property therein described
to ARNOLD M. WEISS, as
Trustee, as same appears of
record in the Register's Office
of Shelby County, Tennessee
recorded February 9, 2009, at
Instrument Number 09014384;
and WHEREAS, the beneficial interest of said Deed of
Trust was last transferred
and assigned to Nationstar
Mortgage LLC d/b/a Champion Mortgage Company who is
now the owner of said debt;
and wHEREAS, the undersigned, Rubin Lubin TN, PLLC,
having been appointed as
Substitute Trustee by instrument to be filed for record in
the Register's Office of Shelby County, Tennessee. NOW,
THEREFORE, notice is hereby
given that the entire indebtedness has been declared
due and payable, and that the
undersigned, Rubin Lubin TN,
PLLC, as Substitute Trustee or
his duly appointed agent, by
virtue of the power, duty and
authority vested and imposed
upon said Substitute Trustee
will, on February 2, 2017 at
10:00 AM at the Front Entrance
Steps of the Shelby County
County County
County of the Shelby County
County of the Shelby
County of the Shelby
County of the Shelby
Coun

ING TO COLLECT A DEBT. ANY
INFORMATION OBTAINED WILL
BE USED FOR THAT PURPOSE.
Rubin Lubin TV, PLLC, Substitute Trustee119 S. Main
Street, Suite 500Memphis, TV
38103 www.rubinlubiin.com/
property-listings.php Tel:
(877) 813-0992Fax: (404) 6015846 Ad #108922 01/06/2017,
01/13/2017, 01/20/2017

WHEREAS, default has occurred in the performance of the covenants. Items, and conditions of a Deed of Trust Note dated July 26, 2000, and the Deed of Trust of even date securing the same, recorded July 28, 2000, in Book No. 545, at Page 124, and modified on November 17, 2015, in Book No. 731, At Page 527 in Office of the Register of Deeds for Hardeman County, Tennessee, executed by Nakisha Bates, conveying certain property therein described to Joe M. Kirsh as Trustee for Mortgage Electronic Registration Systems, Inc., as nominee for Molton, Allen & Williams Mortgage Co. LLC, its successors and assigns; and the undersigned, Wilson & Associates, P.L.L.C., having been appointed Successor Trustee, by JPMorgan Chase Bank, National Association, Volw, THEREFORE, notice is hereby given that the entire indebtedness has been declared due and payable; and that an agent of Wilson & Associates, P.L.L.C., as Successor Trustee, by Virtue of the power, duty, and authority vested in and imposed upon said Successor Trustee, by JPMorgan Chase Bank, National Association, will, on March 8, 2017 on or about 1:00 PM, at the Hardeman County Courthouse, Bollvar, Tennessee, offer for sale certain property hereinafter described to the highest bidder FOR certified funds paid at the conclusion of the sale, or credit bid from a bank or other lending entity pre-approved by the successor trustee.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

<u>Phase</u>	<u>Davs</u> <u>Required</u>	Anticipated Date [Month/Year]
Initial HSDA decision date		
2. Architectural and engineering contract signed		
Construction documents approved by the Tennessee Department of Health		
4. Construction contract signed		
5. Building permit secured		330-2333
6. Site preparation completed		
7. Building construction commenced		
8. Construction 40% complete		
9. Construction 80% complete		
10. Construction 100% complete (approved for occupancy		
11. *Issuance of License		
12. *Issuance of Service		
13. Final Architectural Certification of Payment		
14. Final Project Report Form submitted (Form HR0055)		

^{*}For projects that <u>DO NOT</u> involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

JAN 25 '17 PM3:

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF SHELBY
GREGORY M. DUCKETT, being first duly sworn, says that he/she
is the applicant named in this application or his/her/its lawful agent, that this project will be
completed in accordance with the application, that the applicant has read the directions to this
application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, et
seq., and that the responses to this application or any other questions deemed appropriate
by the Health
Services and Development Agency are true and complete.
Sworn to and subscribed before me this 26 day of
Public in and for the County/State of Shelby Jenness &
STATE STATE OF TENNESSEE MINOTARY PUBLIC NOTARY PUBLIC NOTARY PUBLIC
My Comm. Exp. July 14, 2020 My commission expires
(Month/Day) (Year)

INDEX OF ATTACHMENTS

Organizational Documentation	Section A-4A
Organizational Chart	Section A-6A
Notice of Intent/Option to Lease	Section A-6
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State Survey/Inspection	Orderly Development 4(B)
Emergency Department CPT and ESI definitions	
Name - Andread -	

Organizational Documentation

Section A-4A

Restated Charter

Baptist Memorial Hospital

Pursuant to the provisions of Section 48-60-106 of the Tennessee Nonprofit Corporation Act, the undersigned corporation adopts the following restated charter:

- 1. The name of the corporation is Baptist Memorial Hospital.
- 2. The duration of the corporation is perpetual.
- 3. The address of the principal office of the corporation in the State of Tennessee shall be 899 Madison Avenue, Memphis, Shelby County, Tennessee 38146.
- 4. The street address and zip code of the corporation's registered office is:

899 Madison Avenue Memphis, Tennessee 38146

- 5. The corporation's registered office is located in Shelby County, Tennessee.
- 6. The name of the corporation's registered agent at that office is Charles R. Baker.
 - 7. The corporation is a public benefit corporation.
 - 8. The corporation is not-for-profit.
- 9. The purpose or purposes for which the corporation is organized are charitable, educational, religious and scientific, for the general welfare and not-for-profit, and particularly relating to the various aspects of hospital and health-care and education, including the prevention of illness and disease and the treatment and care of persons who are ill, infirm or injured, in line with the traditional and ongoing mission of the Baptist churches affiliated through their State Baptist Conventions in Arkansas, Mississippi and Tennessee with the Southern Baptist Convention as now known and practiced among Baptists.
- 10. The corporation is authorized to establish, maintain and conduct hospitals, clinics, home health care organizations, rehabilitation centers, health maintenance organizations, hospices, nursing homes, nursing and other schools, educational organizations and

Attachment

related institutions; to acquire, own, lease, manage, operate, conduct, provide services to, affiliate with and generally deal with such organizations, and real and personal property, equipment and materials related thereto, and any other supporting business entities or units, facilities and activities deemed to be appropriate in connection therewith and permitted by the Tennessee Nonprofit Corporation Act, including the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, contributions to which are deductible under Section 170(c)(2) of said Code or corresponding provisions of any future United States internal revenue law. Notwithstanding any other provisions hereof, however, the corporation shall not carry on activities not permitted to be carried on by a corporation exempt under the said Section 501(c)(3) of the Internal Revenue Code, contributions to which are deductible under Section 170(c)(2) of said Code or corresponding provisions of any future United States internal revenue law. No part of any net earnings of the corporation shall inure to the benefit of any private shareholder or individual; and no substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office.

- 11. The governing body of the corporation shall be a Board of Directors of not less than 3 nor more than 12 persons, as shall be set out in the bylaws. The directors shall be chosen, and their terms of office and manner of filling vacancies determined, by the sole member, Baptist Memorial Health Care System, Inc., a Tennessee not for profit corporation established under the authority of the said Arkansas, Mississippi and Tennessee Baptist Conventions.
- 12. In the event of the dissolution of the corporation and after paying or providing for payment of all liabilities of the corporation, the residual assets of the corporation shall be distributed to Baptist Memorial Health Care System, Inc. if at the time it qualifies as an exempt organization under Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986, or corresponding provisions of any future United States internal revenue law. If for any reason Baptist Memorial Health Care System, Inc. shall not then qualify as such exempt organization then the assets shall be distributed equally to and among the said Arkansas, Mississippi and Tennessee Baptist Conventions, provided that they then qualify as exempt organizations

under Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986 or corresponding provisions of any future United States internal revenue law. If for any reason the said Baptist Conventions do not then so qualify for exemption, or otherwise cannot receive such assets, then the assets shall be distributed to one or more organizations as may be selected which do so qualify, for exclusively charitable, educational, religious and/or scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code or corresponding provisions of any future United States internal revenue law.

Dated: December 10, 1990.

BAPTIST MEMORIAL HOSPITAL

By:				
	Joseph	H.	Powell,	President

Bylaws

of

Baptist Memorial Hospital

CHAPTER I

Section 1: Name. The name of this Institution shall be Baptist Memorial Hospital.

Section 2: Principal Office. The principal office of Baptist Memorial Hospital shall be 899 Madison Avenue, Memphis, Tennessee.

Section 3: General Purposes. The primary purpose of Baptist Memorial Hospital is to provide hospital and related health services, education, and scientific research in accordance with Christian principles as set out in the Charter of Incorporation, in line with the mission of the sole member, Baptist Memorial Health Care System, Inc.

CHAPTER II

Section 1: Board of Directors. The governing body of Baptist Memorial Hospital is its Board of Directors. The Board is responsible for operating the hospital within the scope of authority prescribed by the member. No delegation of authority by the Board of Directors to any other body or group shall preclude the Board from rescinding such delegation.

Section 2: Appointment of Directors. The Board of Directors of Baptist Memorial Hospital shall consist of twelve (12) persons who shall be appointed and who may be removed with or without cause by the member, Baptist Memorial Health Care System, Inc. Three (3) of the directors shall be residents of Arkansas, three (3) shall be residents of Mississippi, three (3) shall be residents of Tennessee, and three (3) shall be members of the Active Medical Staff of Baptist Memorial Hospital.

Section 3: Terms of Office. The terms of office of the directors of the Hospital shall be one year, unless otherwise determined by the member.

Section 4: Vacancy. In the event of the death, resignation or removal of a director, the vacancy shall be filled by the member.

Section 5: Quorum. A majority of the directors shall constitute a

quorum for the transaction of business. Proxies, in writing to the Chairman or Secretary of the Board of Directors, will be recognized only when such are necessary to form a quorum. The Board of Directors, or any committee thereof, may authorize or take action upon unanimous written consent to the same extent such action could be taken at a regular or special called meeting at which the directors were present in session, in accordance with Tennessee law.

Section 6: Meetings. The Board of Directors shall hold an annual meeting on the third Tuesday in January, or at such other time as may be fixed by the Board. The general officers of the Board shall be nominated and elected at the annual meeting.

Regular meetings of the Board of Directors will be held in accordance with a schedule to be adopted by the Board.

Special meetings may be called by the Chairman of the Board, the Vice Chairman in his absence, or by any five (5) members of the Board of Directors for the purpose of transacting any business, provided that notice of the time, place and purpose of the special meeting is mailed to the last known address of each director at least five (5) days preceding the date of the special meeting. Such notice may by waived by the directors.

All meetings of the Board of Directors shall be held at the headquarters of the corporation or at other locations when authorized by the Board. The Board and its committees are authorized to hold executive sessions.

CHAPTER III

Section 1: Officers of the Board of Directors. The general officers of the Board of Directors shall be a Chairman and three (3) Vice-Chairmen. Each officer shall be a member of the Board of Directors.

Section 2: Term of Office. The general officers shall serve until the next annual meeting or until their successors are elected and take office.

Section 3: Chairman. The Chairman shall preside at all meetings of the Board, manifest an interest in the general operations of the hospital and its allied agencies, and perform duties customarily assigned to the Chairman. He shall be an ex-officio member of all committees of the Board.

Section 4: Vice-Chairmen. In the event of the absence or disability of the Chairman, a Vice-Chairman shall be designated to carry out his duties.

CHAPTER IV

Section 1: Committees of the Board. The Board of Directors may authorize the formation of committees consisting of two or more persons, and may delegate appropriate authority to such committees as permitted under the Tennessee Nonprofit Corporation Act. In forming such committees, the Board shall give title to them, specify the qualifications for membership, prescribe the procedure for appointment and outline the duties and responsibilities thereof. The committees so formed shall be described in administrative regulations of the hospital.

Section 2: Administrative Regulations. The Board of Directors shall adopt Administrative Regulations. These shall exist in complementary manner to the Charter and Bylaws for the purpose of guiding the Board of Directors, its committees, and the President of the hospital in the implementation of their duties and responsibilities. The particular provisions shall derive from the Charter and Bylaws of the Baptist Memorial Health Care System, Inc., the Charter and Bylaws of Baptist Memorial Hospital, and actions and interpretations by the Board of Directors of the Hospital.

Section 3: President. The member shall appoint the President of Baptist Memorial Hospital. The President shall be the chief executive officer of the Hospital. The President shall have the necessary authority and responsibility for the management of the Hospital in its various activities and for the carrying out of the policies and resolutions of the Board. The President shall facilitate communications between the Hospital (governing body, administration, medical staff) and other health care delivery organizations that are corporately and functionally related.

The President shall periodically develop and submit to the Board or its authorized committee(s) plans and/or reports respecting hospital operations, personnel and corporate organization, professional services, budgets and financial information, communications with related health care delivery organizations, together with such other reports as the Board requests. In addition to the authority to select, employ, determine the compensation of and discharge hospital personnel generally, and to establish personnel policies and practices, the President is further authorized to select, employ, and discharge such Vice-Presidents, a corporate Secretary, and other administrative officers as he deems necessary or appropriate to assist in carrying out his duties. The President shall cause minutes of the meetings of the Board of Directors to be prepared and maintained on file as the Board may direct.

The President shall be guided by the principle that it is not in the best interest of the hospital to do business with business organizations in which a member of the Board of Directors, administrative staff or department head may have a substantial interest; or employ relatives (immediate families) of members of the Board of Directors, administrative staff and department heads. Exceptions may be made by express approval of the Board of Directors.

Section 4: Auxiliaries. In the formation of any auxiliary groups, the Board of Directors shall approve the purposes and bylaws of these groups in order to assure the consistency of the existence of these groups with the purposes of the hospital.

CHAPTER V

Section 1: Funds. The funds of the hospital shall be maintained in such accounts as deemed appropriate by the Board of Directors. Authorization for withdrawal of funds from these accounts shall be signed by two persons who shall be employees of the hospital who have been designated for this purpose by the Board of Directors.

Section 2: Gifts. Except where the hospital has agreed to accept a gift for a restricted purpose, all gifts shall be deemed to have been received for the purpose of the general development of the hospital.

Section 3: Audit. The Board of Directors shall name an audit firm whose duties shall include the making of an audit each year as of September 30th. Any State Convention desiring an additional audit may make such audit at its own expense.

Section 4: Agents. The Board of Directors is authorized to employ such agents as it deems appropriate.

Section 5: Long Term Debt. The Hospital shall not incur long term debt without the approval of the member.

CHAPTER VI

Section 1: Medical Staff. The Board of Directors shall cause to be named a Medical Staff of the hospital, and approve the organization of the Medical Staff. The Medical Staff organization functions as an integral part of the hospital corporation. Through its department chairmen, committees and officers, the Medical Staff is accountable and responsible to the Board of Directors for the discharge of those duties and responsibilities delegated to it by the Board, including the quality of medical care practiced in the hospital. With respect to the quality of medical care and other pertinent matters, the Board of Directors shall meet regularly (at least quarterly) with representatives

of the Medical Staff Executive Committee (generally the President, Secretary, and Chief of Staff, or others designated by the President of the Medical Staff) for appropriate communications and to receive recommendations and reports pertaining to Medical Staff functions and responsibilities. In addition, the Board of Directors may establish committees consisting of directors, members of the medical staff, and members of the administrative staff to perform designated duties outlined in the Medical Staff Constitution and Bylaws and the Hospital Bylaws, and to facilitate further communication between the Board, the Medical Staff, and Administration as indicated on matters of mutual interest.

The Medical Staff is responsible to the Board of Directors for the development, adoption, and periodic review of a Constitution and Bylaws of the Medical Staff to include procedures and requirements for medical staff appointment, advancement, credentialing, discipling, organization, and other functions. The Constitution and Bylaws of the Medical Staff and any changes therein shall require approval of the Board of Directors before becoming official. In all events the Board of Directors as the governing body shall have final authority in determining the staff appointment and privileges granted to practitioners and in this capacity shall be the final authority respecting the appeal procedure. The Board specifically reserves the authority to take any direct action it deems appropriate with respect to the right to practice or exercise privileges in the hospital. Action taken by the Board in such cases may, but need not, follow the procedures outlined in the Constitution and Bylaws of the Medical Staff; however, any Board action based upon competence or professional conduct that would result in a reduction of clinical privileges, suspension of clinical privileges (except for a period of up to 14 days for investigative purposes), revocation of staff appointment or denial of reappointment shall entitle the affected practitioner to a hearing and appeal as outlined in the Constitution and Bylaws of the Medical Staff except that members of the hearing body shall be appointed by the Chairman of the Board and may consist entirely of directors.

The hospital has the authority to enter into contracts or employment relations with physicians for the performance of certain services, including exclusive contracts for medical services when deemed to be appropriate. All physicians functioning pursuant to such contracts or employment relationships shall obtain and maintain Medical Staff appointment and the pertinent clinical privileges necessary to perform the particular services, which shall be processed as described in the Constitution and Bylaws of the Medical Staff. If a question arises

concerning clinical competence or clinical privileges during the term of the contract, that question shall be processed in the same manner as would pertain to any other Medical Staff appointee. If a modification of privileges or appointment resulting from such action is sufficient to prevent the physician from adequately performing his contractual duties, the contract shall automatically terminate. Clinical privileges or medical staff appointment resulting from a contract or employment arrangement shall be valid only during the term thereof. In the event that the contract or employment arrangement expires or is terminated, the clinical privileges and Medical Staff appointment resulting from the contract or employment shall automatically expire at the time the contract or employment expires or terminates. This expiration of clinical privileges and Medical Staff appointment or the termination or expiration of the contract itself, shall not entitle the physician to any hearing or appeal, unless there is a specific provision to the contrary in the contract. In the event that only a portion of the physician's clinical privileges are covered by the contract or employment, only that portion shall be affected by the expiration or termination of the contract or employment. Specific contractual or employment terms shall in all cases be controlling in the event that they conflict with provisions of the Constitution and Bylaws of the Medical Staff.

Section 2: Quality and Risk Management. The Board of Directors shall cause to be developed and shall support quality and risk management functions for the hospital. Responsibility for the conduct of these functions is delegated to the Medical Staff and the President of the Hospital. Each level of the organization (e.g. medical staff, nursing, clinical support services, etc.) is responsible and accountable to the Board of Directors for the quality of care provided within its respective range of services and/or clinical privileges through established reporting relationships. Monitoring and evaluation of the quality of patient care and of risks of patient injury associated with care shall be performed and reported to the Board through the hospital-wide quality and risk management programs.

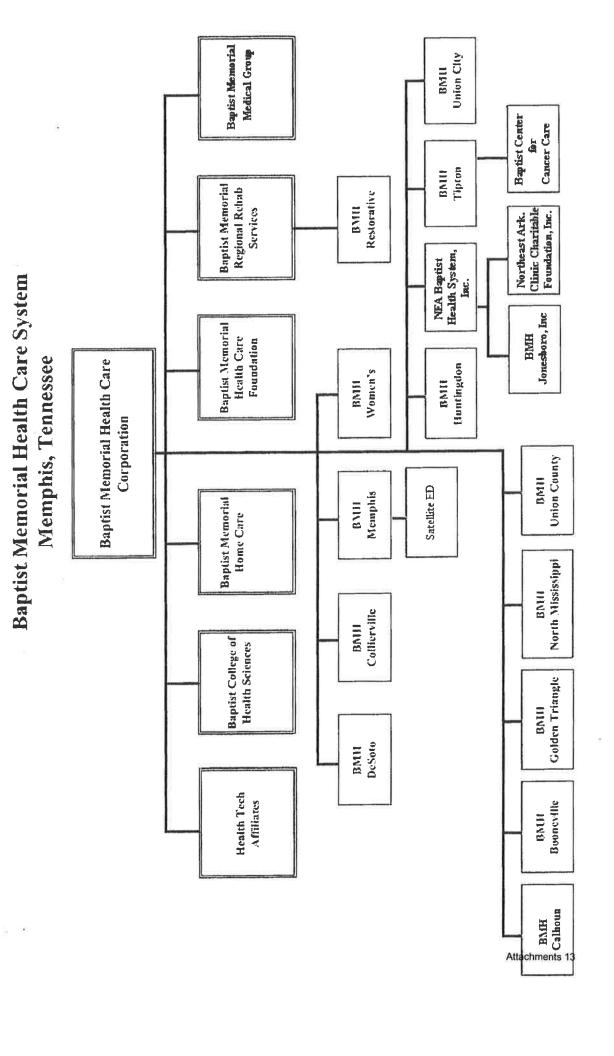
CHAPTER VII

Section 1: Amendments to Bylaws. These bylaws may be amended in accordance with the provisions of the Tennessee Nonprofit Corporation Act, and with approval of the member.

Section 2: Miscellaneous. Pronouns of any gender used herein shall include the other genders.

Organizational Chart

Section A-6A



Notice of Intent/Option to Lease Section A-6

CHEYENNE JOHNSON Assessor of Property

Property Location and Owner Information	2016 Appraisal and Assessn	nent Information	
Parcel ID: A0152 00257	Class: COM	MMERCIAL	
	Land Appraisal:	\$ 8,521,900	
Property Address: 0 AIRLINE RD	Building Appraisal:	\$ 0	
Municipal Jurisdiction: ARLINGTON	Total Appraisal:	\$ 8,521,900	
Neighborhood Number: 00407A51	1		
Tax Map Page: 77	Total Assessment:	\$ 3,408,760	
Land Square Footage:			
Acres: 85.0590	Greenbelt Land:	\$ 170,800	
Lot Dimensions:	Homesite Land:	\$ 0	
Subdivision Name:	Homesite Building:	\$ 0	
Subdivision Lot Number:	Greenbelt Appraisal:	\$ 170,800	
Plat Book and Page:	Greenbelt Assessment:	\$ 42,700	
Number of 0			
Improvements:	Click Here for 2015 Values		
Owner Name: BAPTIST MEMORIAL HEALTH CARE	View: Assessor's GIS Map		
CORP	View: GIS Parcel	Мар	
In Care Of:			
Owner Address: 350 N HUMHREYS BLVD	1		
Owner City/State/Zip: MEMPHIS, TN 38120			

Dv	velling Construction Information
Stories:	Heat:
Exterior Walls:	Fuel:
Land Use: - VACANT LAND	Heating System:
Year Built:	
Total Rooms:	Fireplace Masonry:
Bedrooms:	Fireplace Pre-Fab:
Bathrooms:	
Half Baths:	Ground Floor Area:
Basement Type:	Total Living Area:
	Car Parking:

Other Buildings on Site for this Property
See Permits Filed for this Property
See Sales Data for this Property

See Sales Data for this Property

Disclaimer: The information presented on this web site is based on the inventory of real property found within the jurisdiction of the county of Shelby in the State of Tennessee. Shelby County assumes no legal responsibility for the information contained within this web site. This is not a bill and does not serve as a notice or invoice for payment of taxes nor does it replace scheduled notices mailed to property owners.

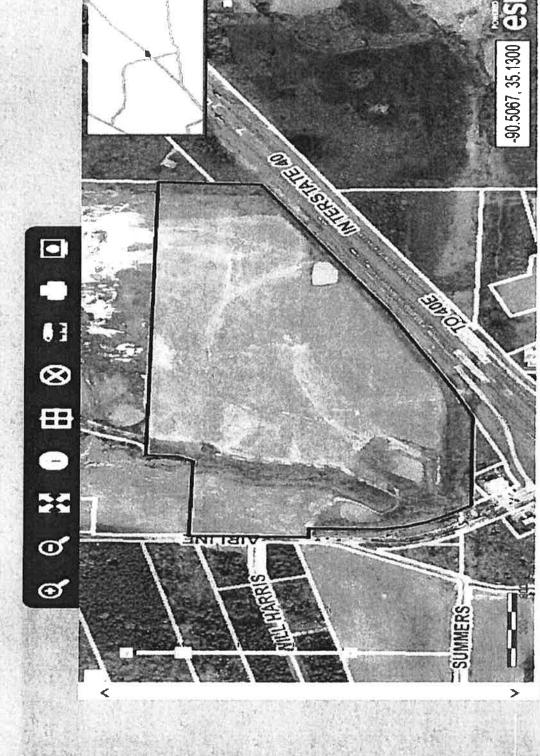
Tom Leatherwood

Sales Date 12/19/2006

Sales Price Unavalable

Item 2

Shelby County Register of Deeds



WARRANTY DEED

Inst Type

06111889

Sales Dete

Sales Price \$8,882,386 TOM LEATHERWOOD, REGISTER OF DEEDS, SHELBY COUNTY, TN COPYRIGHT 2017 Hosted by GEOPowered | GEO-Jobe GIS Consulting

Trammell Crow Company

January 24, 2017

Zach Chandler
Executive Vice President - CSO
Baptist Memorial Healthcare Corporation
350 North Humphreys Blvd.
Memphis, TN 38120

Dear Zach:

Trammell Crow Company is pleased to present the enclosed Letter of Intent to develop a proposed Free Standing Emergency Departments in the Memphis Metropolitan Market (the "Project") for Baptist Memorial Healthcare Corporation ("BMHM"). On behalf of Trammell Crow Company ("TCC"), we appreciate your consideration for this important project and the opportunity to partner with BMHM.

Backed by the national resources of TCC and our parent company, CBRE, we offer specialized healthcare real estate staff with strong local market knowledge. We understand the importance of delivering the Projects quickly and cost effectively and have the expertise and resources to mobilize immediately to bring these Projects to fruition. The critical schedule element at this time will be the submission of the Certificate of Need Application. We will work with BMHM in a collaborative manner to submit the CON Application and then finalize the definitive agreements between the parties. Based on our experience, we have assembled a best-in-class team with expertise in developing free standing EDs to service the unique need of this project. We will work in close collaboration with the health system and all parties to ensure the Project meets BMHM's goals and objectives.

TCC/CBRE has a proven record as a strong partner with healthcare systems by way of long term relationships. The majority of our development has been completed in an "open book" basis, which the Projects require at this preliminary stage of development. We understand that speed to market is of critical importance and that no project is successful without a continuous focus on cost efficiency, quality and the operational considerations that are required by health systems. Each of our developments are structured to meet the unique objectives and requirements of our clients. On behalf of TCC, thank you for the opportunity to propose on this important project.

Sincerely,

Chen Clube Dayle

Cheri Clarke Doyle Senior Vice President Trammell Crow Company

Baptist Memorial Hospital Memphis - Freestanding Emergency Department Project

Letter-of-Intent between TC Northeast Metro Development, Inc. and Baptist Memorial Health Care Corporation January 24, 2017

TC Northeast Metro Development, Inc., a wholly owned subsidiary of Trammell Crow Company ("TCC"), is pleased to submit this letter-of-intent setting forth the general terms and conditions pursuant to which TCC will work with Baptist Memorial Health Memphis ("BMHM") and on an exclusive basis to develop a Freestanding Emergency Department Project(s) (the "Project") located north of the intersection of 140 and Airline Road in Arlington, Tennessee.

PROJECT PROPOSAL

Project Overview:

The Project(s) will be a "Class A" Freestanding Emergency Department Buildings.

The project, will be approximately 13,750 square feet and will be located. TCC will enter into a Ground Lease with the current owner.

Developer Responsibilities:

TCC will:

- Enter into a Prepaid Ground Lease with a term of seventy years
 plus two ten year extension options. Closing on the land lease will
 be conditioned on satisfactory review of all due diligence items,
 receipt of all approvals and execution of a Lease with Baptist
 Memorial Health Care Corporation (BMHCC).
- Provide required preliminary sites drawings, plans, budgets and schedules to support BMHM in the submission of the CON Application.
- Hire and coordinate the design team to finalize building plans and specifications required for final construction pricing and to be used as exhibits for the Lease Agreement.
- Obtain all necessary governmental approvals for the development of the Project.
- Finalize the development budget and project schedule in collaboration with, and approval by, BMHM.

вмнм

BMHM's parent organization, Baptist Memorial Health Care Corporation ("BMHCC") is owner of the site. BMHCC will enter into a ground lease with

Responsibilities:

TCC as described above.

BMHM will cooperate and work collaboratively with TCC to timely secure all entitlements and other governmental approvals necessary for the development of the Project.

LEASE TERMS

Tenant:

вмнм

Landlord:

TCC, or affiliate or assignee

Premises:

Approximately 13,750 square feet for the Arlington lease

Commencement

Date:

Upon substantial completion of the Building and Tenant Improvements.

Initial Term:

Twelve years

Base Rent / Buy

Back

The Base Rent for the first year is projected to be \$34.09 per square foot.

We recognize that TBHC may want to own the ED in the future so we will provide BMHM an option to purchase the building twelve (12) years after lease commencement as well as providing a first right of offer to BMHM should the Landlord decide to sell the building anytime during the Master Lease term. In the event that BMHM purchases the building, the ground lease would be extinguished and BMHM would own the land and the building.

Rental Basis:

The Base Rent is quoted on a Net basis ("NNN").

Escalation:

The rent escalation shall be two and one-half percent (2.5%) per annum.

GENERAL TERMS

Definitive Documents:

The proposed transaction contemplates the following documents (the "Transaction Documents"), all of which shall contain terms and conditions mutually satisfactory to BMHM and TCC:

- A Reimbursement Agreement to cover costs expended by TCC/CBRE prior to closing on the Arlington property.
- A ground lease from BMHCC to TCC as described above.

Lease Agreements pursuant to which BMHM leases the Premises as described above.

Non-Binding:

Other than the immediately preceding paragraph regarding Reimbursement Agreement, neither party hereto shall be bound in connection with the proposed transaction until formal written documentation, containing terms and conditions mutually satisfactory to BMHM and TCC, is fully executed and delivered.

Baptist Memorial Health Care Corporation

Narrate Fool Charolle

Title: EVP-C50

TC NE Metro Development, Inc.

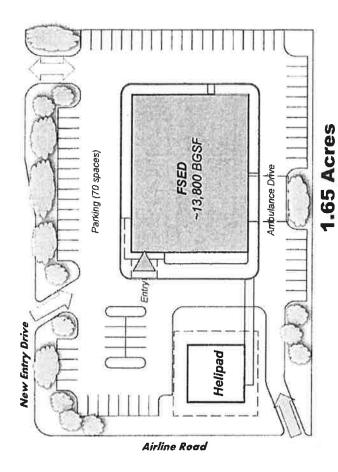
}y: ____

Name: Jeffrey T. Goggins

Title: President

Plot Plan

Section A-6B-1





Prepared for Carroll Hospital Center | © 2016 CBRE | CONFIDENTIAL & PROPRIETARY

Floor Plan

Section A-6B-2

FSED FLOOR PLAN - ARLINGTON 13,750 sq ft 17 7 디 EXAM 07 EXAM EXAM CLEAN 8 8 EQUIP 딛 CALL 7 EVS EXAM 04 EXAM 08 COMM 三 SOL BREAK EXAM 03 EXAM 09 OFFICE H EXAM 10 EXAM ISO ALC CONF AMB ፗ ELEC ፗ TRIAGE Ç EQUIP SECURITY OFF RN N CNTRL INTAKE/ REG ¥ STOR IHI XRAY READ SUB WAITING 유 LOCKERS DRAW ¥ VEND Z P DRESS DRESS S 독동 ፗ VEST

Attachments 24

Architect Letter

Section A-4A

Chief Financial Officer Letters

Section B-Economic Feasibility-B

BAPTIST MEMORIAL HEALTH CARE CORPORATION

January 24, 2017

Melanie Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re:

Baptist Memorial Hospital - Satellite Emergency Department,

Intersection I-40 and Airline Road

Dear Ms. Hill:

Under the Joint Operating Agreement arrangement between Baptist Memorial Hospital (BMH) and Regional One Health (ROH), BMH will fund 60% of the capital required to establish the project referenced above. The BMH 60% share is expected to be \$2,116,462. This letter confirms that BMH has sufficient cash and other liquid assets to fund its share of the project.

Sincerely,

William A. Griffin

Executive Vice President, Chief Financial Officer

Baptist Memorial Health Care Corporation



January 24, 2017

Melanie Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re:

Baptist Memorial Hospital - Satellite Emergency Department,

Intersection I-40 and Airline Road

Dear Ms. Hill:

Under the Joint Operating Agreement arrangement between Regional One Health and Baptist Memorial Hospital, ROH will fund 40% of the capital required to establish the project referenced above. ROH's 40% share is expected to be \$1,410,974. This letter confirms that ROH has sufficient cash and other liquid assets to fund its share of the project.

Sincerely,

Balance Sheet and Income Statements

Section B-Economic Feasibility-F1

BAPTIST MEMORIAL HOSPITAL-MEMPHIS

BAPTIST MEMORIAL HOSPITAL-MEMPHIS

STATEMENT OF REVENUES AND EXPENSES 12 MONTHS ENDED SEPTEMBER 30 Unaudited	SES 0	
	2016	2015
UNRESTRICTED REVENUES AND OTHER SUPPORT:		
Gross patient revenues	2,346,470,976	2,202,422,595
Deductions to gross patient revenues	(1,808,012,398)	(1,655,887,902)
Provision for bad debts	(60,252,012)	(54,911,673)
Other revenue	15,656,892	14,414,576
Total unrestricted revenues and other support	493,863,458	506,037,595
EXPENSES:		
Salaries	150,201,543	143,514,091
Contract labor	8,364,289	6,793,266
Benefits	39,332,045	38,575,100
Medical supplies	133,522,201	135,534,852
Nonmedical supplies	7,382,159	7,372,029
Purchased services	11,136,201	10,989,676
Insurance	5,003,390	(2,213,111)
Repairs and maintenance	11,678,381	10,821,077
Utilities	5,390,043	5,574,333
Other expenses	15,222,477	20,450,550
Management fees	73,003,980	63,216,120
Professional fees	29,811,137	29,428,984
Depreciation and amortization	20,427,449	22,496,920
Interest	407,915	530,997
Total Expenses	510,883,210	493,084,883
NONOPERATING INCOME(EXPENSE):	(6,683,019)	(4,241,170)
REVENUES IN EXCESS OF EXPENSES	(23,702,771)	8,711,542



Unaudited Financial Statements

For The Period Ended December 31, 2016

Regional One Health (Excludes the Foundation) Statement of Revenue and Expenses December 31, 2016 (\$ in Thousands)

	22	M	onth (of Decemb	er				Six Mor	iths E	nding Dece	mber	31	
		2016 <u>Actual</u>		2016 Budget		2015 Actual		:	2016-17 <u>Actual</u>		2018-17 <u>Budget</u>	:	2015-16 Actual	
1							Patient Service Revenue							1
2		78,094	\$	79,386	\$	82,783	Inpatient Revenue		483,311	\$	481,B91	\$	479,910	2
3		27,518		33,098		29,540	Outpatient Revenue		185,478		204,018		194,897	3
4		11,407		9,500		7,331	Physician Revenue	-	60,791	_	56,641	_	51,008	4
5		117,017	\$	121,984	\$	119,654	Gross Patient Service Revenue	\$	729,580	\$	742,550	\$	725,814	5
8							Deductions from Revenue							8
7	\$	64,841	\$	68,979	\$	72,972	Contractual Adjustments	\$	410,193	\$	412,891	\$	411,014	7
8		19,309		23,030		26,878	Charity Care		126,679		144,773		141,037	8
9		9,639		5,549		(5,525)	Provision for Bad Debts	2000	43,599		36,813		30,367	9
10	\$	93,789	\$	97,558	\$	96,124	Total Deductions from Revenue	\$	580,470	\$	594,477	\$	582,418	10
11	\$	23,228	\$	24,425	\$	23,530	Net Patient Revenue	\$	149,109	\$	148,072	\$	143,395	11
12	\$	2,836	\$	2,661	\$	2,783	Other Operating Revenue	5	17,315	\$	15,928	\$	15,409	12
13	\$	26,064	\$	27,086	\$	26,312	Net Revenue	5	166,424	\$	163,998	\$	158,804	13
14							Operating Expenses							14
15	\$	13,635	\$	13,047	\$	12,587	Salary Expense	\$	79,313	\$	77,115	\$	77,271	15
18		3,006		2,723		2,844	Employee Benefits		16,358		16,442		17,273	16
17		7,527		6,347		6,471	Supplies		40,317		37,483		38,298	17
18		6,815		7,131		6,762	Purchased Services		42,286		42,768		40,511	18
19		3,449		3,635		3,722	Other Expenses		22,021		22,079		22,564	19
20		1,506		1,205		1,074	Operation of Plant		7,193		7,348		7,553	20
21		132		140		0	Insurance		859		843		947	21
22		1,582		1,450		1,473	Depreciation		9,480		9,155		8,870	22
23		725		608		597	Lease Expense		3,905		3,829		3,885	23
24		52	_	27		42	interest		205		163		172	24
25	\$	38,429	\$	36,314	\$	35,673	Total Operating Expenses	\$	221,938	\$	217,024	\$	217,346	25
26	. \$	(12,366)	\$	(9,227)	\$	(9,361)	Operating Income	.5	(55,514)	\$	(53,025)	\$	(58,541)	26
27							Non-Operating Income							27
28	S	(552)	s	326	\$	(572)	Investment Income & Other		(1,450)	5	1,958	5	85	28
29	•	5,697	•	5,055	•	5,153	Support Income		31,207	•	30,331	•	33.151	29
30		2,796		3,000		2,825	Public Hospital Supplemental Pool		16,776		18,000		16,950	30
31		(2)		0,000		2,020	EHR Incentive Payment		10,770		10,000		10,000	31
32	\$	7,941	\$	8,381	\$	7,406	Total Non-Operating Income	\$	46,533	\$	50,289	\$	50,186	32
33	\$	(4,424)	\$	(846)	\$	(1,955)	Net Income (Loss)	\$	(8,981)	\$	(2,736)	\$	(8,355)	33

Regional One Health (Excludes the Foundation) Statement of Revenue and Expenses - Flex Budget (Volume and Case Mix Adjusted) December 31, 2016 (\$ in Thousands)

		M	onth o	f December	r		Six Mo	nths Ending Dec	ember 31	
		2016		2016	2016		2016-17	2016-17	2016-17	
		<u>Actual</u>	FI	ex Budget	Budget		Actual	Flex Budget	Budget	
1						Patient Service Revenue				1
2	\$	78,094	\$	76,273	\$ 79,386	Inpatient Revenue	\$ 483,311	\$ 472,088	\$ 481,891	2
3		27,516		35,952	33,098	Outpatient Revenue	185,478	202,464	204,018	3
4		11,407		8,381	9,500	Physician Revenue	60,791	52,935	56,641	4
5	\$	117,017	\$	120,608	\$ 121,984	Gross Patient Service Revenue	\$ 729,580	\$ 727,487	\$ 742,550	5
6						Deductions from Revenue				6
7	\$	64,841	\$	68,200	\$ 68,979	Contractual Adjustments	\$ 410,193	\$ 404,516	\$ 412,891	7
8		19,309		22,770	23,030	Charity Care	126,679	141,836	144,773	8
₽		9,639		5,486	5,549	Provision for Bad Debts	43,599	36,066	36,813	9
10	\$	93,789	\$	96,456	\$ 97,558	Total Deductions from Revenue	\$ 580,470	\$ 582,418	\$ 594,477	10
11	\$	23,228	\$	24,150	\$ 24,425	Net Patient Revenue	\$ 149,109	\$ 145,089	\$ 148,072	11
12	\$	2,836	\$	2,661	\$ 2,881	Other Operating Revenue	\$ 17,315	\$ 15,926	\$ 15,926	12
13	_\$_	26,064	\$	28,810	\$ 27,086	Net Revenue	\$ 166,424	\$ 160,995	\$ 163,998	13
14						Operating Expenses				14
15	\$	13,635	\$	12,844	\$ 13,047	Salary Expense	\$ 79,313	\$ 75,561	\$ 77,116	15
16		3,006	\$	2,655	2,723	Employee Benefits	18,358	15,868	16,442	18
17		7,527		6,127	6,347	Supplies	40,317	38,631	37,483	17
18		6,815		7,131	7,131	Purchased Services	42,286	42,768	42,768	18
19		3,449		3,635	3,635	Other Expenses	22,021	22,079	22,079	19
20		1,506		1,205	1,205	Operation of Plant	7,193	7,348	7,348	20
21		132		140	140	insurance	859	843	B43	21
22		1,582		1,450	1,450	Depreciation	9,480	9,155	9,155	22
23		725		608	808	Lease Expense	3,906	3,629	3,629	23
24	-	52		27	27	Interest	205	163	163	24
25	5	38,429	\$	35,622	\$ 36,314	Total Operating Expenses	\$ 221,938	\$ 214,043	\$ 217,024	25
28	. \$	(12,366)	\$	(8,812)	\$ (9,227)	Operating Income	\$ (55,514)	\$ (53,048)	\$ (63,024)	26
27						Non-Operating Income				27
28	\$	(552)	\$	326	\$ 326	Investment Income & Other	\$ (1,450)	\$ 1,958	\$ 1,958	26
29		5,897		5,055	5,055	Support income	31,207	30,331	30,331	29
30		2,796		3,000	3,000	Public Hospital Supplemental Pool	16,776	18,000	18,000	30
31		353			(S#1)	EHR Incentive Payment	-		700	31
32	\$	7,941	\$	8,381	\$ 8,381	Total Non-Operating Income	\$ 48,533	\$ 50,289	\$ 50,289	32
33	<u>s</u>	(4,424)	\$	(431)	\$ (848)	Net income (Loss)	\$ (8,981)	\$ (2,759)	\$ (2,736)	33
						Volume and Case Mix Adjusted Financial Ratios				
34	\$	78,792	\$	74,928	\$ 74,377	Gross Patient Revenue per Adj Discharge	\$ 81,135	\$ 75,674	\$ 76,297	34
35	\$	15,640	\$	15,003	\$ 14,893	Net Patient Revenue per Adj Discharge	\$ 16,582	\$ 15,090	\$ 15,214	35
36	\$	25,876	\$	22,131	\$ 22,141	Total Operating Expense per Adj Discharge	\$ 24,681	\$ 22,265	\$ 22,299	36
		2.0								

Regional One Health (Excludes the Foundation) Summary of Statistical & Performance Indicators December 31, 2016

	M	onth of Decemb	oer	•:	Six Moi	nths Ending Dece	mber 31	
	2018 Actual	2016 Budget	2015 Actua		2016-17 <u>Actual</u>	2016-17 Budget	2015-16 <u>Actual</u>	
1	273	287	265	Average Daily Census (Excluding Newborn)	277	287	274	1
				in-Patient Days				
2	7,068	7,210	7,013	Acute Care	42,324	42,810	43,531	2
3	631	620	617	Extended Care	3,720	3,834	3,497	3
4 5	450 317	554 419	515 61	Rehab	3,015	3,888	3,264	4
6	528	458	493	Skilfed Nursing Wali Baby Nursery	1,821 2,946	2,342	81	5
7	8,994	9,361	8,699	Total Inpatient Days	53,828	2,718 55,592	2,878 53,251	6 7
				Discharges				
8	1.015	1.062	1,109	Acute Care	6,016	6.316	D 444	
9	20	21	17	Extended Care	100	129	6,411 102	8 9
10	22	36	30	Rehab	184	214	177	10
11	17	17	4	Skilled Nursing	81	95	4	11
12	247	209	227	Well Baby Nursery	1,447	1,240	1,359	12
13	1,321	1,345	1,387	Total Discharges	7,808	7,994	8,053	13
				Average Length of Stay				
14	6.96	6.79	6.32	Acute Care	7.04	6.78	6.79	14
15	31.55	29.52	36.29	Extended Care	37.20	29.72	34.28	15
16	20.45	18,17	17.17	Rehab	18.38	18.17	18.55	16
17 18	18.65 2.14	24,65 2,19	15.25 2.17	Skilled Nursing Well Baby Nursery	22,48	24.65	15.25	17
10	2.14	2,10	2,17	Area menà lantserà	2.04	2.19	2.12	18
19	2.36	2.23	2.72	Case Mix Index Medicare				
20	1.76	1.83	1.82	Overall	2.31 1.83	2.23 1.83	2.57 1.82	19 20
				Andread to the second of the second				
21	5,528	5,829	5,708	Outpatient Visits Outpatient Center	24 000	27 200	80.040	
22	2,779	2,571	2,940	OB/GYN	36,999 16,588	37,229 1 6,5 23	36,812 16,207	21 22
23	3,154	3,660	3,478	Healthloop & Satalite Clinics	19,732	23.640	23,386	23
24	1,822	1,294	741	6555 Clinica	10,819	8,317	4,115	24
25	13,283	13,354	12,867	Total Outpatient Visits	84,138	85,709	80,520	25
26	4,382	4,939	4,766	Emergency Visits	28,936	29,873	29,863	28
				Surgical Operations				
27	531	433	499	Inpetient	3,166	2,992	3,080	27
28	163	221	224	Outpatient	1,147	1,293	1,249	28
29	694	854	723	Total Surgical Operations	4,313	4,285	4,329	29
20	. 70 700	. 7/		Financial Ratios	A			
30 31	\$ 78,792 \$ 15,640	\$ 74,377 \$ 14,893	\$ 74,756 \$ 14,701	Gross Patient Revenue per Adj Discharge Net Patient Revenue per Adj Discharge	\$ 81,135	\$ 76,297	\$ 76,262	30
32	\$ 25,876	\$ 22,141	\$ 14,701 \$ 22,287	Total Operating Expense per Adj Discharge	\$ 16,582 \$ 24,681	\$ 15,214 \$ 22,299	\$ 15,067 \$ 22,837	31 32
				Case Mix Adjusted Financial Ratios				
33	\$ 78,792	\$ 75,033	\$ 74,758	Gross Patient Revenue per Adj Discharge	\$ 81,135	\$ 75,091	\$ 76,262	33
34	\$ 15,640	\$ 15,024	\$ 14,701	Net Patient Revenue per Adj Discharge	\$ 16,582	\$ 14,974	\$ 15,067	34
35	\$ 25,876	\$ 21,847	\$ 22,287	Total Operating Expense per Adj Discharge	\$ 24,681	\$ 22,034	\$ 22,837	35

Regional One Health (Excludes the Foundation) Summary of Performance Indicators December 31, 2016

Month of December			mber		Six Mont	hs Ending De	ecember 31	
	2016 Actual	2016 Budget	2015 Actual	Payor Mix (% of Gross Patient Revenue) -Excluding UTROP	2016-17 <u>Actual</u>	2016-17 Budget	2015-16 Actual	
1	23.9%	25.2%	20.3%	Commercial/Managed Care	26.1%	25.2%	24.7%	1
2	20.0%	20.3%	22.7%	Medicare	18.4%	20.3%	20.1%	2
3	22.8%	22.2%	22.5%	TennCare	23.1%	22.2%	20.4%	3
4	6.7%	4.8%	6.0%	Medicaid (Out of State)	7.4%	4.8%	5.4%	4
5	26.6%	27.5%	28.5%	Self-Pay/Other	25.0%	27.5%	29.4%	5
				Payor Mix (% of Gross Patient Revenue) - UTROP				
6	28.3%	27.9%	28.4%	Commercial/Managed Care	26.6%	27.9%	28.6%	
7	13.5%	13.6%	12.3%	Medicare	13.8%	13.6%	13.0%	
8	28.7%	23.9%	30.2%	TennCare	29.1%	23.9%	27.8%	8
9	8.5%	5.8%	5.2%	Medicald (Out of State)	7.6%	5.8%	5.2%	9
10	21.0%	28.8%	23.9%	Self-Pay/Other	22.9%	28.8%	25.4%	10
				Productivity Indicators				
11	2,528	2.641	2.427	Paid FTEs (System)	2.513	2.635	2.499	11
12	6.69	6.49	6.86	Paid FTEs per AOB (System)	6.43	6.44	6.49	12
13	102%	105%	106%	Productivity Index	103%	105%	105%	
				Operational Indicators				
14	11,707	12,854	11,362	Adjusted Patient Days	71,926	76,191	71,619	14
15	1,485	1,640	1,601	Adjusted Discharges	8,992	9,732	9,517	15
16	\$ 9,996	\$ 9,490	\$ 10,531	Gross Patient Revenue per Adj Pat Day	\$10,143	\$ 9,746	\$10,134	16
17	\$ 1,984	\$ 1,900	\$ 2,071	Net Patient Revenue per Adj Pat Day	\$ 2,073	\$ 1,943	\$ 2,002	17
18	\$ 3,283	\$ 2,825	\$ 3,140	Total Operating Exp per Adj Pat Day	\$ 3,086	\$ 2,848	\$ 3,035	18
19	\$ 1,421	\$ 1,227	\$ 1,358	Salaries, Wages, Benefits per Adjusted Pat Day	\$ 1,330	\$ 1,228	\$ 1,320	19
20	\$ 643	\$ 494	\$ 570	Supplies per Adjusted Pat Day	\$ 561	\$ 492	\$ 535	20
21	\$ 1,218	\$ 1,104	\$ 1,212	Other Expenses per Adjusted Pat Day	\$ 1,195	\$ 1,129	\$ 1,180	21
22	\$78,792	\$74,377	\$ 74,756	Gross Patient Revenue per Adj Discharge	\$81,135	\$76,297	\$76,262	22
23	\$15,640	\$14,893	\$ 14,701	Net Patient Revenue per AdJ Discharge	\$ 16,582	\$ 15,214	\$ 15,067	23
24	\$25,876	\$22,141	\$ 22,287	Total Operating Exp per Adj Discharge	\$24,681	\$22,299	\$22,837	24
25	\$11,205	\$ 9,615	\$ 9,641	Salaries, Wages, Benefits per Adj Discharge	\$10,639	\$ 9,613	\$ 9,934	25
26	\$ 5,069	\$ 3,870	\$ 4,043	Supplies per Adj Discharge	\$ 4,484	\$ 3,851	\$ 4,024	26
27	\$ 9,602	\$ 8,656	\$ 8,604	Other Expenses per AdJ Discharge	\$ 9,558	\$ 8,835	\$ 8,879	27
28	\$ 272	\$ 150	\$ 237	Overtime Expense Per FTE	\$ 1,672	\$ 904	\$ 1,639	28
29	-13.0%	-2.4%	-5.8%	Total Margin Percent	-4.2%	-1.3%	-4.0%	29
30	-8.2%	1.8%	-1.3%	EBITDA Percent	0.3%	3.1%	0.3%	
31				Days of Net Patient Revenue In Net Patient A/R - ROH	81.6		78.8	31
32				Days of Net Patient Revenue in Net Patient A/R - UTROP	82.6		136.4	32
33				Days Cash net of Board Designation	11.6		14.0	33
34				Current Ratio	1.5		1.5	34

Regional One Health (Excludes the Foundation) Balance Sheet December 31, 2016 (\$ in Thousands)

	Assets	December 2016	November 2016	June 2016	December 2015
	Current Assets:				
1	Cash and Cash Equivalents	8,527	\$ 1,613	\$ 17,370	\$ 16,932
2	Less Board Designation of Funds for Self-Insurance	(4,226)	(4,226)	(4,226)	(6,830)
3	Less Board Designation of Funds for Capital Needs	(98,688)	(98,688)	(98,688)	(99,193)
4	Less Board Designation of Funds Available For NMTC	(5,371)	(5,371)	(5,371)	(5,371)
5	Investments, market value	113,097	128,400	99,308	110,345
6	Cash and investments, net of Board Designated	13,339	21,728	8,391	15,883
7	Patient Accounts Receivable-Excluding UTROP	242,850	274,338	227,403	279,598
8	Less Allowances for Contractual & Uncompensated Care-Excluding UTROP	(186,196)	(212,943)	(171,288)	(224,789)
9	Patient Accounts Receivable, net-Excluding UTROP	56,654	61,395	56,114	54,809
10	Patient Accounts Receivable-UTROP	23,787	25,344	28,721	29,359
11		(16,117)	(17,607)	(21,580)	(21,334)
12		7,670	7,737	7,161	8,025
13	Accounts Receivable from UT/UTMG, net	2,978	2,544	1,498	3,080
	Other Accounts Receivable	13,882	6,223	13,570	25,715
	Due from Affiliates		-		20,7.10
15	Inventories	3,834	3,712	3,383	3,806
16	Prepaid Expenses	4,498	4,320	3,050	4,291
17	Total Current Assets	102,856	107,687	93,168	115,590
18	Board Designation of Funds for Self-Insurance	4,226	4,228	4,226	6,830
	Board Designation of Funds for Capital Needs	92,789	92,789	92,789	92,789
	Board Designation of Funds for Capital Needs Obligated	5,899	5,899	5,899	6,404
21	Board Designation of Funds Available For NMTC	5,371	5,371	5,371	5,371
22	Deferred Financing Fees	739	758	849	939
23	Notes Receivable	18,598	18,787	19,298	19,222
24	Investment in Joint Ventures	13,581	13,381	12,981	11,000
25	Property, Plant and Equipment, net	83,865	84,772	90,989	94,630
26	Total Assets	\$ 327,943	\$ 333,641	\$ 325,568	\$ 362,775
	Liabilities & Fund Balance	_			
	Current Liabilities:				
27	Accounts Payable	\$ 9,805	\$ 10,893	\$ 12,242	\$ 10,081
28	Accrued Expenses	12,048	6,836	18,000	20,439
29	Compensated Absences	8,489	8,863	8,917	7,962
30	Deferred Revenue	22,104	27,000	248	24,342
	Estimated Third Party Payor Settlements	15,877	15,906	17,624	15,918
32	Total Current Liabilities	68,123	69,498	57,031	78,742
33	Notes Payable, net of current maturities	26,550	26,550	26,550	26,550
	Other Long-term Liabilities	960	980	960	750
35	Reserve for Self-Insured Losses	4,490	4,440	4,228	6,536
36	Total Liabilities	100,123	101,403	88,767	112,578
	Fund Balance:				
37	Revenue over (under) Expenses, Current Year	(8,981)	(4,583)	(11,749)	(8,353)
	Unrestricted Fund Balance	236,801	236,801	248,550	248,550
39	Total Liabilities & Fund Balance	\$ 327,943	\$ 333,641	\$ 325,568	\$ 352,775

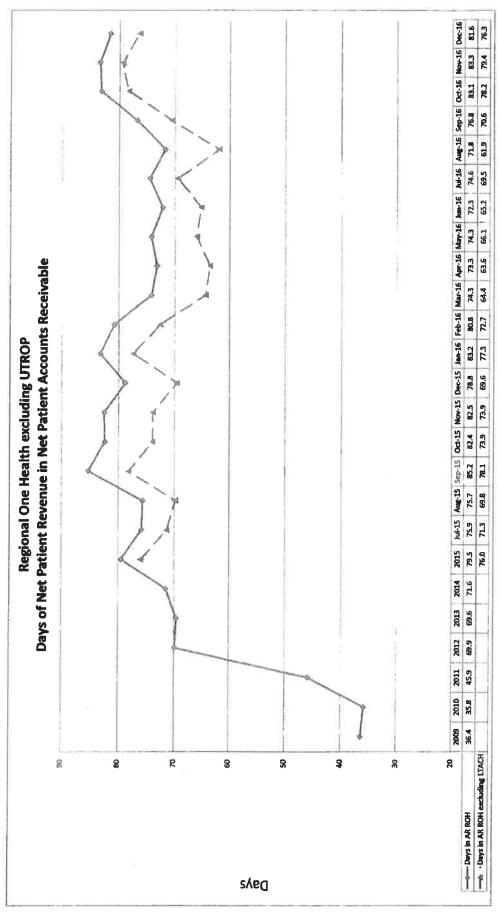
Regional One Health

(Excludes the Foundation) Statement of Cash Flow December 31, 2016 (\$ in Thousands)

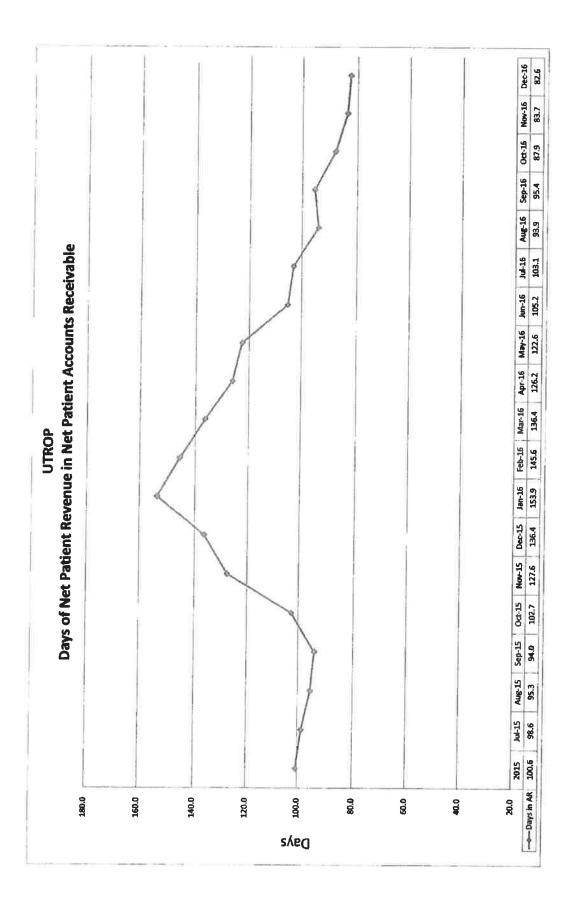
		,	Month	Yea	ar To Date
1	Net Income/(loss)	\$	(4,424)	\$	(8,981)
	Adjustments to reconcile net income to net cash				
3	•	\$	1,582		9,480
	Changes In operating assets and liabilities:				
4			4,807		(1,049)
5			(7,660)		(312)
6	Decrease/(Increase) in net due from third-party payors		(229)		(1,947)
7			(501)		(1,480)
8	Decrease/(Increase) In inventories		(122)		(451)
9	Decrease/(Increase) in prepaid other current assets		(160)		(1,338)
10	((827)		(2,343)
11	(=		5,212		(5,376)
12	((374)		(428)
13	((4,896)		21,856
14	Net cash provided by operating activities		(4,749)		7,133
	Investing activities				
15			(694)		(2,376)
16			· .		-
17	Decrease/(Increase) in subsidiary investment		(200)		(600)
18	Changes in assets whose use is limited		97		291
19	Net cash used in investing activities		(798)		(2,684)
	Financing activities				
20					-
21	Payments on long term notes and leases		·		
22	Payments on bonds		2		2
23	Net cash (used in) financing activities		-		-
	Net (decrease)/increase cash and cash equivalents		(8,389)		4,948
	Cash and cash equivalents beginning of period	-	130,012		116,676
26	Cash and cash equivalents end of period	\$	121,624	\$	121,624

Regional One Health (Excludes the Foundation)
Operating Cash Flow Analysis & Forecast Year Ending June 30, 2017
(\$ in Thousands)

Total EY <u>2017</u> 116,676	59,255 1,201	14,708	29,884	20,625	298,916	5.858	32,837	64,517	28 168	148,779	447,695	283,860	157,191	7,285	458,848	(11,153)	105,523	(4,226) (5,371) (98,685)	(2,761)	92.9 (2.4)
Forecast Jun-17 105,340	4,300	1,205	3,552	642 642	25,471		2,231	10,054	2.284	17,480	42,952	22,301	12,663	6,374	42,789	183	105,623 \$	(4,226) \$ (5,371) \$ (98,688) \$	(2,781)	92.9 (2.4)
Forecast May-17 106,005	4,208	1,179	3,476	1,635	25,937	1.461	2,231	3,250	2284	9,884	35,820	21,992	13,062	1431	38,485	(999)	105,340 \$	(4,226) \$ (5,371) \$ (98,688) \$	(2,945)	93.0 (2.6)
Forecast Apr-17 108,976 \$	4,128	1,157	3,410	629	24,467	,	2,231	4 507	2284	9,408	33,673	22,773	12,640	1.431	36,844	(2,971)	106,005 \$	(4,226) \$ (5,371) \$ (96,688) \$	(2,280)	93.6 (2.0)
Forecast Mar-17 \$ 113,721 \$	3,844	1,105	3,258	1,614 838	24,386	2,922	2,231	200	1,054	7,032	31,418	21,670	13,062	1.431	38,163	(4,745)	\$ 108,976 \$	(4,228) \$ (5,371) \$ (98,888) \$	169	96.3
Forecast <u>Feb-17</u> \$ 116,874	4,234	1,186	3,496	637	25,086	•	2,231	3,250	3	6,139	31,224	20,850	11,796	1.431	34,177	(2,953)	\$ 113,721 \$	\$ (4,226) \$ \$ (5,371) \$ \$ (88,688) \$	5,436	100,4
Forecast <u>Jan-17</u> \$ 121,624	4,240	1,188	3,503	1,638	26,123	ı	2,231	200	8	6,056	32,179	22,837	13,060	1.431	37,129	(4,850)	\$ 116,674	\$ (4,228) \$ (5,371) \$ (88,688)	8,389	103.4
Actual <u>Dec-18</u> \$ 130,012	6,351	1,520	1,254	2,442	27,903	1	3,967	1,472		5,823	33,626	28,362	12,944	454 458	42,215	(8,389)	\$ 121,624	\$ (4,228) \$ (5,371) \$ (88,688)	13,339	105.3 11.6
Actual Nov-16 \$ 143,835	6,670 278	1,168	2544	2,639	25,340	,	(229)	26.4	į '	1,180	26,500	28,530	11,159	- 633	40,322	(13,822)	\$ 130,012	\$ (4,226) \$ (5,371) \$ (98,888)	21,727	113.3
Actual <u>Oct-16</u> \$ 153,479	5,665 184	1,351	1,649	2,259	22,446	1	3,288	3,230 475	·	7,334	29,782	23,280	15,749	386	39,426	(9,644)	\$ 143,836	\$ (4,226) \$ (5,371) \$ (98,688)	35,550	123.6 30.6
Actual <u>Sep-16</u> \$ 159,325	5,820 277 10	1,787	1,318	2,580 (187)	24,281	1,475	4,732	945	1	7,157	31,439	24,580	12,400	305	37,285	(5,846)	\$ 163,479	\$ (4,226) \$ (5,371) \$ (98,689)	45,194	133.6 39.3
Actual Aug-16 + 163,201	4,722	923 11,169	1,452	1,294	23,521	•	4,283	6,330 482	'	13,278	36,800	28,401	10,825	350	40,676	(3,878)	\$ 169,326	\$ (4,226) \$ (5,371) \$ (96,688)	51,040	142.0
Actual <u>M-16</u> 116,676	4,972 184 345	939 10,064	2,347	2,816	23,852	ı	3,431	543	20.262	57,931	81,883	17,175	82/,7	4 4 4	35,357	48,525	163,201	(4,226) (5,371) (98,689)	54,917	146.6 49.3
slents *					ı				da	1				ı	1	ı	ents s	s anditure	1	Btions
Beginning balance cash & equivalents Patient Cash Receives	ā			0 TennCare Select 1 Self-Pay & Other	2 Total Patient Cash Receipts	8	5 Miscellaneous 6 State of Terrescen			9 Total Other Cash Receipts	20 Total Cash Receipts	1 Disbursements: 2 AP 2 Aprendi			6 Total Disbursements	7 Cash Surplus (Deficit)	28 Ending balance cash & equivalents	Less Board Designation: Funds for Self-Insurance Funds Available For NMTC Funds for Future Capital Expenditure	3 Net Operating Cash	4 Days Cash on Hand 5 Days Cash, net of Board Designations
- ~	4 40 44 70 6	× 10	60 0 0	유두	4	E 4 :	2 4	17	\$:	9	8	2 22 23	3 %	12	8	27	28	83828	33	¥ %







License/Joint Commission

Orderly Development 4(A)

Board for Licensing Health Care Facilities

State
으
Tennessee

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

	BAPTIST MEMORIAL HOSPITAL		to conduct and maintain a	relaire a
Hospital		BAPTIST MEMORIAL HOSPITAL		
Docated at	6019 WALNUT GROVE ROAD, MEMPHIS	NEMPHIS		
Country of	SHELBY	, Genmessee.		
This	This acemse shall serve	SEPTEMBER 01	2017 and is subject	subject.
to the previous	rs of Chapter 11, Tennessee C	to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable,	t be assignable or transf	brable,
and shall be s	whost to rerecation at any time	and shall be subject to resocation at any time by the Glate Department of Health, for failure to comply with the	for failure to comply wil	ik the
In Olliness O	Mesed, we have hosemate set of	In Others Others, we have becomits set one band and seal of the State this. 16TH day of AIRIST	THE STATE OF THE S	2016
In the Disting	In the Distinct Category (Les) of: GENERAL HOSPITAL	OSPITAL GENERAL HOSPITAL	-	



3

By Chair J. Davin, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By Al Marian MPH

By And MPH

By A

OMMISSIONER



August 27, 2014

Zach Chandler CEO Baptist Memorial Hospital - Memphis 6019 Walnut Grove Road Memphis, TN 38120

Joint Commission ID #: 7869
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance

20 Accreditation Activity Completed: 08/27/2014

Dear Mr. Chandler:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning June 07, 2014. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Please visit <u>Quality Checks</u> on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

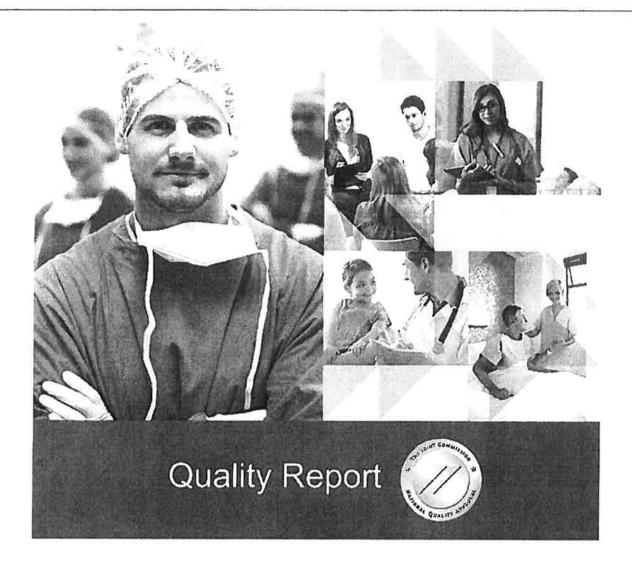
Sincerely.

Mark G.Pelletier, RN, MS

Chief Operating Officer

Division of Accreditation and Certification Operations





The Joint Commission



Quality Report



Baptist Memorial Hospital - Memphis

HCO ID: 7869 6019 Walnut Grove Road Memphis, TN, 38120 (901) 226-5000 www.BMHCC.org

Summary of Quality Information

View Accreditation History

(Hospital

Accreditation

Decision Accredited **Effective**

Date 6/7/2014 Last Full Survey

Date 6/6/2014 Last On-Site **Survey Date**

6/6/2014

Advanced Certification Programs

View Certification History

Primary Stroke Center

Certification Decision

Certification

Effective Date 10/27/2015 Last Full Survey Date

Last On-Site **Survey Date** 10/26/2015

Ventricular Assist Device

Certification Decision Certification

Effective Date 6/3/2015

Last Full Survey

Date 6/2/2015

10/26/2015

Last On-Site **Survey Date** 6/2/2015



Baptist Memorial Hospital

DBA: Baptist Memorial Hospital -Memphis Campus 6019 Walnut Grove Road Memphis, TN, 38120

Available Services

- Brachytherapy (Imaging/Diagnostic Services)
- Cardiac Catheterization Lab (Surgical Services)
- Cardiac Surgery (Surgical Services
- Cardiothoracic Surgery (Surgical Services)
- Cardiovascular Unit (Inpatient)
- Coronary Care Unit (Inpatient)
- CT Scanner (Imaging/Diagnostic Services)
- Dialysis Unit (Inpatient)
- Ear/Nose/Throat Surgery (Surgical Services)
- EEG/EKG/EMG Lab (Imaging/Diagnostic Services)
- Gastroenterology (Surgical Services
- Gl or Endoscopy Lab (Imaging/Diagnostic Services)
- Gynecological Surgery (Surgical Services)
- Hematology/Oncology Unit (Inpatient)
- · Inpatient Unit (Inpatient)
- Interventional Radiology (Imaging/Diagnostic Services)
- Magnetic Resonance Imaging (Imaging/Diagnostic Services)
- Medical /Surgical Unit (Inpatient)
- Medical ICU (Intensive Care Unit)
- Neuro/Spine ICU (Intensive Care Unit
- Neuro/Spine Unit (Inpatient)
- Neurosurgery (Surgical Services)
- Nuclear Medicine (Imaging/Diagnostic Services)
- Ophthalmology (Surgical Services)
- Orthopedic Surgery (Surgical Services)
- · Orthopedic/Spine Unit (Inpatient)
- Outpatient Clinics (Outpatient)
- · Plastic Surgery (Surgical Services)
- Positron Emission Tomography (PET)

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- (Imaging/Diagnostic Services)
- Post Anesthesia Care Unit (PACU) (Inpatient)
- Radiation Oncology (Imaging/Diagnostic Services)
- Surgical ICU (Intensive Care Unit)
- Surgical Unit (Inpatient)
- Thoracic Surgery (Surgical Services
)
- Transplant Surgery (Surgical Services)
- Ultrasound (Imaging/Diagnostic Services)
- Urology (Surgical Services)
- Vascular Surgery (Surgical Services)

Certification Programs

- Primary Stroke Center
- Ventricular Assist Device

Baptist Memorial Hospital - Collierville Campus

DBA: Baptist Memorial Hospital -Collierville Campus 1500 West Poplar Collierville, TN, 38017

Available Services

- CT Scanner (Imaging/Diagnostic Services)
- Ear/Nose/Throat Surgery (Surgical Services)
- EEG/EKG/EMG Lab (Imaging/Diagnostic Services)
- Gastroenterology (Surgical Services
)
- Gl or Endoscopy Lab (imaging/Diagnostic Services)
- Gynecological Surgery (Surgical Services)
- Inpatient Unit (Inpatient)
- Interventional Radiology (Outpatient)
- Magnetic Resonance Imaging (Imaging/Diagnostic Services)
- Medical /Surgical Unit (Inpatient)
- Medical ICU (Intensive Care Unit)
- Neurosurgery (Surgical Services)
- Nuclear Medicine (Imaging/Diagnostic Services)

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- Ophthalmology (Surgical Services)
- Orthopedic Surgery (Surgical Services)
- Plastic Surgery (Surgical Services)
- Sleep Laboratory (Sleep Laboratory)
- Surgical ICU (Intensive Care Unit)
- Thoracic Surgery (Surgical Services
- Ultrasound (Imaging/Diagnostic Services)
- Urology (Surgical Services)
- Vascular Surgery (Surgical Services)

Baptist Memorial Hosptial

DBA: Baptist Memorial Hosptial -Women's Campus 6225 Humphreys Blvd. Memphis, TN, 38120

Available Services

- CT Scanner (Imaging/Diagnostic Services)
- Ear/Nose/Throat Surgery (Surgical Services)
- EEG/EKG/EMG Lab (Imaging/Diagnostic Services)
- Gynecological Surgery (Surgical Services)
- · Gynecology (Inpatient)
- Inpatient Unit (Inpatient)
- Labor & Delivery (Inpatient)
- Magnetic Resonance Imaging (Imaging/Diagnostic Services)
- Medical ICU (Intensive Care Unit)
- Normal Newborn Nursery (Inpatient
)
- Ophthalmology (Surgical Services)
- Orthopedic Surgery (Surgical Services)
- · Outpatient Clinics (Outpatient)
- Pediatric Unit (Inpatient)
- Post Anesthesia Care Unit (PACU)
 (Inpatient)
- Surgical ICU (Intensive Care Unit)
- Ultrasound (Imaging/Diagnostic Services)
- Urology (Surgical Services)

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Baptist Rehab

440 Powell Road Collierville, TN, 38017

Available Services

· Outpatient Clinics (Outpatient)

Baptist Women's Health Center

50 Humphreys Boulevard, Suite 23 Memphis, TN, 38120

Available Services

• Outpatient Clinics (Outpatient)

GI Specialists

DBA: GI Specialists 80 Humphreys Center Dr. #200 Memphis, TN, 38120

Available Services

- Administration of High Risk Medications (Outpatient)
- Anesthesia (Outpatient)
- Perform Invasive Procedure (Outpatient)
- Single Specialty Practitioner (Outpatient)

Other Clinics/Practices Located at This Site:

None

OrthoStat

6286 Briarcrest Avenue Memphis, TN, 38120

Available Services

Urgent Care (Outpatient)

Other Clinics/Practices Located at This Site:

• MRI Suite Only

Stern Cardiovascular Clinic Outpatient Diagnostics

8060 Wolf River Boulevard Germantown, TN, 38138

Available Services

- Administration of High Risk Medications (Outpatient)
- Outpatient Clinics (Outpatient)



Special Quality Awards

Due to our commitment to accurate data reporting, The Joint Commission is suspending the practice of updating Special Quality Awards until further notice

- 2015 ACS National Surgical Quality Improvement Program
- 2015 Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program
- 2010 Silver The Medal of Honor for Organ Donation

Organization Commentary

Mr. Randy King, CEO Baptist memphis

Baptist Memorial Hospital-Memphis is part of the Baptist Memorial Health Care system based in Memphis, Tenn. Baptist is committed to providing the highest quality care for patients and achieving the best outcomes for them. Baptist Memphis strives to continuously advance the care and services we provide by benchmarking our performance against other health care organizations and reviewing and implementing national best practices. By participating in the Joint Commission on Accreditation of Health Care Organization's accreditation process, we can benchmark against other hospitals committed to excellence and remain progressive in providing the care that our community expects and deserves. Through this process, our administration, physicians and clinical staff work collaboratively to create and sustain a shared vision for excellence in clinical outcomes, patient safety and customer satisfaction. Upon thorough review of the measures adopted by JCAHO, the physicians and allied health care professionals at Baptist pledged themselves to full participation in the reporting program. This work was undertaken to further Baptist's mission of providing the highest quality care and to continue our partnership with the communities we serve. Our process, communication and educational innovations have produced striking and gratifying improvements in this program. Baptist is committed to providing reliable information about our services. We are proud of the rapid progress we have made since initiating this specific effort, and we look forward to publishing our future results.

Cooperative Agreements

Hospital - Accredited by American College of Surgeons-Commission on Cancer (ACoS-COC)

National Patient Safety Goals and National Quality Improvement Goals

Show Keys +



Symbol Key

0	This organization achieved the best possible results
\oplus	This organization's performance is above the target range/value
Ø	This organization's performance is similar to the target range/value
Θ	This organization's performance is below the target range/value
(NVA)	This measure is not applicable for this organization
(NO)	Not displayed

Measures Footnote Key

- 1. The measure or measure set was not reported.
- 2. The measure set does not have an overall result.
- 3. The number is not enough for comparison purposes.
- 4. The measure meets the Privacy Disclosure Threshold rule.
- 5. The organization scored above 90% but was below most other organizations.
- 6. The measure results are not statistically valid.
- 7. The measure results are based on a sample of patients.
- 8. The number of months with measure data is below the reporting requirement.
- 9. The measure results are temporarily suppressed pending resubmission of updated data.
- Test Measure: a measure being evaluated for reliability of the individual data elements or awaiting National Quality Forum Endorsement.
- 11. There were no eligible patients that met the denominator criteria.

The Joint Commission only reports measures endorsed by the National Quality Forum.

- * This information can also be viewed at Hospital Compare.
- ** Indicates per 1000 hours of patient care.
- *** The measure was not in effect for this quarter.
- ---- Null value or data not displayed.





2014 National Patient Safety Goals

Nationwide Comparison: 🗭 Statewide

Comparison: (44)

Reporting Period: April 2015 - March 2016 National Quality Improvement Goals:

<u>Immunization</u>

National Comparison:

(NO) 2

(NO) 2

№ 2

(NO) 2

Statewide

Comparison: 60 2

Perinatal Care

National Comparison:

Statewide

Comparison: @ 2

Stroke Care

National Comparison:

Statewide

Comparison: @ 2

Venous Thromboembolism (VTE) National Comparison:

Statewide

Comparison: @ 2

New Changes to Quarterly Measure

▲ Download Quarterly Measure Results

The Joint Commission only reports measures endorsed by the National Quality Forum.

* State results are not calculated for the National Patient Safety Goals.

State Survey/Inspection

Orderly Development 4 (B)

Rec 10/29/07 Resp.11/4/07



STATE OF TENNESSEE DEPARTMENT OF HEALTH WEST TENNESSEE HEALTH CARE FACILITIES 781-8 AFRAYS BOULEVARD JACKSON, TENNESSEE 38301-3203

October 25, 2007

Mr. Jason Little, Administrator Baptist Memorial Hospital 6019 Walnut Grove Road Memphis, TN 38120

Dear Mr. Little:

Enclosed is the Statement of Deficiencies, which was developed as a result of the full survey after a complaint, completed at your facility on October 18, 2007.

You are requested to submit a Credible Allegation of Compliance within ten (10) days after date of this letter with acceptable time frames for correction of the cited deficiencies. Corrective action must be achieved no later than forty-five (45) days from the date of the survey. Please notify this office when these deficiencies are corrected. A revisit must be conducted prior to the forty-fifth (45th) day to verify compliance. Once corrective action is confirmed, a favorable recommendation for re-certification will be considered.

The following Conditions of Participation have been found to be out of compliance:

A385

482.23

Nursing Services

Also, the following eight (8) standard level deficiencies cited for noncompliance: A166, A168, A175, A395, A396, A459, A468, and A630.

Based on noncompliance with the aforementioned Conditions of Participation, this office is recommending to the CMS Regional Office and/or Sate Medicaid Agency that your provider agreement be terminated effective January 18, 2008, which is ninety (90) days from the date of the survey. Please be advised that under the disclosure of survey information provisions, the Statement of Deficiencies will be available to the public.

Your plan of correction must contain the following:

- How the deficiency will be corrected;
- · How the facility will prevent the same deficiency from recurring,
- The date the deficiency will be corrected;
- How ongoing compliance will be monitored.

101

If there are any delays in completing your Plan of Correction, please notify this office in writing.

Before the plan can be considered "acceptable," it must be signed and dated by the administrator.

Should you have questions or if there is any way this office may be of assistance, please do not hesitate to call 731-421-5113.

Lech

Colia Skelley, MSN, RN Public Health Nurse Consultant 2

CS/TW

Sincerely

Enclosure

DEPARTMENT OF HEALTH AND HUMAN SERVICES

PRINTED: 12/22/2004 FORM APPROVED
 OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION (X1) PROVIDER/SUPPLIER/CLE IDENTIFICATION NUMBER				(X3) DATE SURVEY		
		440048			C 8/21/07	
NAME OF PROVIDER OR SUPPLIER BAPTIST MEMORIAL HOSPITAL				STREET ADDRESS, CITY, STATE, ZIP CODE 6018 WALNUT GROVE ROAD MEMPHIS, TN 38120	6/21/0/	
(X4) ID PREFIX TAG	(EACH DEFIC	TATEMENT OF DEFICIENCIES IENCY MUST BE PRECEEDED L REGULATORY OR LSC IFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION	(X5) COMPLETIO DATE	
A 043	The hospital to governing box conduct of the a hospital doe governing box responsible k must carry out this part that body.	RNING EODY must have an effective dy legally responsible for the s hospital as an institution. If as not have an organized dy, the persons legally or the conduct of the hospital at the functions specified in pertain to the governing ION is not met as evidenced	A 043	The BMH CEO immediately notified the BMH	8/22/07	
	by: Based on practice, man governing boo record review determined the assume respondent received consistent with practice in order.	raview of standards of ufacture's guidefines, dy meeting minutes, medical and interview, it was se governing body failed to possibility for the conduct of all onnel and ensure each ad the highest quality of care the acceptable standards of der to prevent patient injury.		Memphis market leader (senlor management) of the Immediate Jeopardy citation. The Baptist Memorial Hospital-Memphis Nursing Officer, with the support of the Director of Performance Improvement will have overall responsibility for ensuring the plan of correction.	Ongoing	
	hospital provi	ning body failed to ensure the ded surgical servicos in hith acceptable standards of	AO43 482 12	1. The Governing Body Bylaws Article 31 states; 'The Board is responsible for maintaining and evaluating the quality of patient care and safety through the various medical staff and administrative mechanisms including identifying and resolving problems and opportunities for improving patient care and safety.' Article 7D states: 'The Board shall request and review reports regarding the quality of patient care services.' The CEO will present monthly reports to the governing body that will update on core competency evaluation of anosthesia staff; evidence of mandatory training completion for unasthosia, surgeons, surgical aillied	Ongoing Ongoing Monthly	
HORATO	RY DIRECTOR	S OR PROVIDER/SUPPLIES	R REPRESE	NTATIVE'S SIGNATURE TITLE	DATE	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CI IDENTIFICATION NUMBE 444048			COM	(X3) DATE SURVEY COMPLETED C 8/21/07	
	ROVIDER OR SUPPLIE MEMORIAL HOSP		12.	STREET ADDRESS, CITY, STATE, ZIP C 6019 Walnut Grove Road Moniples TN 38120	CODE	3 6 6	
(X4) ID PREFIX TAG	(EACH DEFICIENC FULL REGULATO	EMENT OF DEFICIENCIES Y MUST BE PRECEEDED BY DRY OR LSC IDENTIFYING FORMATION	ID PREFIX TAG	FIX FEACH CORRECTIVE ACTION SHOULD BE CROSS-		(X5) COMPLETION DATE	
** **	.L			health professionals, and hospital who assist with invasive procedur			

2FORM CMS-2967 (02-98) Pravious Varaltas Obsaista

87 Extra ID: NXU1104 activy ID: TNP531104

2 of 19

'EMENT OF DEFICIENCIES PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/C	ER: A	(2) MU I. BUILI IOSPI		(X3) DATE	PLETED C
	440048	8	, WINC	2 00-20-20-20-20-20-20-20-20-20-20-20-20-2	8	121/07
E OF PROVIDER OR SUPPLI APTIST MEMORIAL HOSF				STREET ADDRESS, CITY, STATE, ZIP COD		A
EFIX (EACH DEFICIENC	EMENT OF DEFICIENCIES Y MUST BE PRECEEDED BY DRY US LSC IDENTIFYING PORANTION)	PREI TA	FIX	PROVIDER'S PLAN OF CORRECTI (EACH CORRECTIVE ACTION SHOULD B REFERENCED TO THE APPROPRIATE DE	E CROSS-	(X5) COMPLETION DATE
surgeons and accountable to	ng body falled to ensure anesthestologists were the governing body and apropriate training to injuries. It and A 1000	A043 A043	88	Portormance Improvement Initially a 90-day focused review via dobservation on 30% of cases will be performed by OR staff. Following foc review, required elements will be more monthly and reported quarterly throug Operative Invasive Committee and Portormanca Improvement Committee These committee reports will be repoquarterly by the CEO to the governing The CEO will also in his monthly writtee port to the board provide any update quality monitors. Policles and proced (attachments D – K., L and M) have the amonded in accordance with AORN, ASA and CDC recommendations. The changes to policy and practice will be reported to the board in the monthly in report on September 20, 2007. Anesthesia Education Mandatory education for all anosthes personnel on fire safety and anesthed personnel on fire safety and anesthed patients in the operative setting has a completed. Anesthesia personnel will allowed to work without documented dividence of training. Compliance of education will be reported to work without documented ovidence of training. Compliance of education will be reported to work without documented ovidence of training. Compliance of education will be reported to work without documented ovidence of training. Compliance of education will be reported anosthesia group will "use currently to methods and practice of medicine, an applicable standards of care, medical policies and anesthesia protocols and with the requirement and standard of Medicare, JCAHO and any other accagencies designated by the hospital, as all applicable laws, rules and regulated anesthesia contract will be approved next board meeting in October 2007, requires group directived education related the safety, patient rights and safe use of safety, patient rights and safe use of	used hittored gh e. rted g board. an es to the lures been ACOS, less e board dia silo hitty of boen ill not be rted to 0, 2007. In sthe excepted dhere to d ethics, d comply rediting as well liations." contract ent at the which r all o OR line	9/20/07 Completed 9/5/07 100% Staff Educated Completed 9/20/07 Completed 9/6/07 Final Approve 10/2007

Emergency Department CPT and ESI Definitions

Emergency department CPT codes - 99281, 99282, 99283

99281 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components: A problem focused history; A problem focused examination; and Straightforward medical decision making. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are self limited or minor.

99282 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components: An expanded problem focused history; An expanded problem focused examination; and Medical decision making of low complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of low to moderate severity.

99283 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components: An expanded problem focused history; An expanded problem focused examination; and Medical decision making of moderate complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of moderate severity.

99284 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components: A detailed history; A detailed examination; and Medical decision making of moderate complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of high severity, and require urgent evaluation by the physician but do not pose an immediate significant threat to life or physiologic function.

99285 Emergency department visit for the evaluation and management of a patient, which requires these 3 key components within the constraints imposed by the urgency of the

patient's clinical condition and/or mental status: A comprehensive history; A comprehensive examination; and Medical decision making of high complexity. Counseling and/or coordination of care with other providers or agencies are provided consistent with the nature of the problem(s) and the patient's and/or family's needs. Usually, the presenting problem(s) are of high severity and pose an immediate significant threat to life or physiologic function.

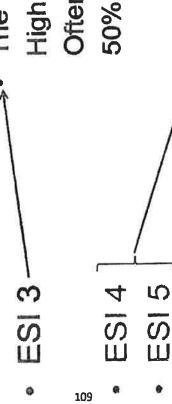
99288 Physician direction of emergency medical systems (EMS) emergency care, advanced life support

Health

How ESI is just another 3-level system if not further stratified



Acuity & risk driven 13-18% of all patients



The "tweeners"
High decision density
Often wait the longest
50% or more of all patients

Low acuity track eligible patients
25-40% of all patients

Health

Emergency Severity Index, Conceptual, v4

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Ě					uity-levels and anticipated resources as judged by the expension of emergency department RN
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0	Libyel 2. High risk situation? <u>OR</u> Contused// pihargic/disonented// <u>OR</u> Savere pain / dishass//	ë; O	e O	e D	
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		110			

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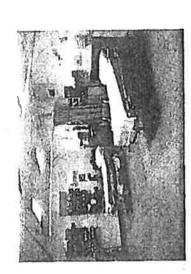
Characteristics of ESI triage

- 5 levels
- Easy to use
- Levels based on:

111

 Acuity
 Expected resource utilization

Vital signs less prominent Levels assigned using 4 decisions points (A-D) in decision-making (decision point D)







State of Tennessee Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 **www.tn.gov/hsda** Phone: 615-741-2364 Fax: 615-741-9884

February 1, 2017

Arthur Maples
Director of Regulatory Planning & Policy
Baptist Memorial Hospital
350 N. Humphreys Blvd
Memphis, TN 38120

RE: Certificate of Need Application -- Baptist Memorial Hospital - CN1701-005 for the establishment a full service, 24 hour per day/7 day per week satellite emergency department to be located at an unnamed street address near the intersection of Interstate 40 and Airline Road in Arlington (Shelby County), Tennessee 38002. The proposed facility will be operated as a satellite emergency department of Baptist Memorial Hospital located at 6019 Walnut Grove Road in Memphis (Shelby County) and will have 10 treatment rooms and will provide emergency diagnostic and treatment services. The applicant is owned by Baptist Memorial Health Care Corporation. The project will be developed, operationalized and marketed through a joint operating agreement between Baptist Memorial Hospital and Regional One Health. The estimated project cost is \$9,993,779.

Dear Mr. Maples:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1607, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on February 1, 2017. The first 60 days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on April 26, 2017.

Mr. Maples February 1, 2017 Page 2

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

cc:

Melanie M. Hill Executive Director

Trent Sansing, TDH/Health Statistics, PPA

elder do



State of Tennessee Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 **www.tn.gov/hsda** Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO:

Trent Sansing, CON Director

Office of Policy, Planning and Assessment

Division of Health Statistics

Andrew Johnson Tower, 2nd Floor 710 James Robertson Parkway Nashville, Tennessee 37243

MAN

FROM:

Melanie M. Hill Executive Director

DATE:

February 1, 2017

RE:

Certificate of Need Application

Baptist Memorial Hospital - CN1701-005

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on February 1, 2017 and end on April 1, 2017.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc:

Arthur Maples

- 4-24 W_,



State of Tennessee Health Services and Development Agency

Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be			which is a ne	ewspaper
of general circulation in <u>Shelby</u>		ame of Newspaper) Tennessee, on or befor	re January 20 (Month / day)	, 20 <u>17,</u> (Year)
for one day.				
This is to provide official notice accordance with T.C.A. § 68-1′ hat:	e to the Health Services a I-1601 <i>et seq.</i> , and the R	ind Development Age ules of the Health Sei	ncy and all interest vices and Develop	ed parties, i ment Agency
Baptist Memorial Hospital		<u> </u>	Hospital	
Name of Applicant)		(Facility	Type-Existing)	
owned by: <u>itself</u>	with	n an ownership type of	Corporation	
and to be managed by: <u>itself</u>	int	tends to file an applica	ation for a Certificat	e of Need
for: <u>construction and establishr</u>	ment of a satellite Emerger	ncy Department to be	operated under the	license of
Baptist Memorial Hospital. The	proposed new facility will	have 10 treatment ro	oms and will includ	de various
supportive service such as CT,	X-Ray and ultra-sound. B	aptist Memorial Hosp	ital is located at 60°	19 Walnut
Grove Road, Memphis, Shelby		THE STATE OF THE S		
emergency facility and other c	7		A7A 5 0	
Interstate 40 and Airline Road	on the east side, in Arli	ngton, TN, 38002.	his project does n	ot involve
additional inpatient beds, major				
required. The total project cost				
		- 00.47		
The anticipated date of filing the	application is: January 2	<u>5, 20, 17</u>	_	
The contact person for this proje			Regulatory Planning	g & Policy
	(Contac	t Name)	(Title)	
who may be reached at: <u>Baptis</u> t		rporation 350 N.	Humphreys Blvd	ji
	(Company Name)		,	
Memphis	TN (State)	38120 (7in Code)	901-227-413 (Area Code / Phone	_
(City)	(State)	(Zip Code)	(Alea Code / Prioric	e Mullipel)
Cithe Maple (Signature)		1/18/2017 (Date)	Arthur.Maples@b (E-mail Addres	

The Letter of Intent must be <u>filed in triplicate</u> and <u>received between the first and the tenth</u> day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street, Nashville, Tennessee 37243

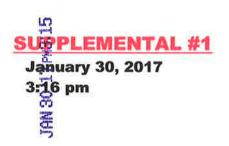
The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental-#1 -ORIGINAL-

BAPTIST MEMORIAL HOSPITAL

CN1701-005





January 30, 2017

VIA HAND DELIVERY

Phillip Earhart
HSD Examiner
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Baptist Memorial Hospital (Satellite Emergency Department in Arlington)

Dear Mr. Earhart:

Please find enclosed, in triplicate, responses to your letter dated January 27, 2017. We are also enclosing three (3) copies of a replacement page 24, the original of which contained a typographical error.

Thank you for your attention to the enclosed.

Very truly yours,

BUTLER SNOW LLP

Dan H. Flrod

clw

Enclosures

cc: Arthur Maples



AFFIDAVIT

STATE OF TENNESSEE COUNTY OF Davidson NAME OF FACILITY: Bept 14 Memoral Hospital (Satellite Emergery Department in Artists for) I. Den H Elrol ____, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete. Sworn to and subscribed before me, a Notary Public, this the 30 day of January, 2017, witness my hand at office in the County of January, State of Tennessee. My commission expires <u>07/06/2020</u>

HF-0043

Revised 7/02



SUPPLEMENTAL RESPONSES

SATELLITE EMERGENCY DEPARTMENT IN ARLINGTON

BAPTIST MEMORIAL HOSPITAL

CN1701-005

1. Section A., Applicant Profile, Item 1

Please provide a web-site address for Baptist Memorial Hospital (Walnut Grove).

Response:

The corporate website includes a menu of facilities. The corporate website address is BaptistOnline.org. On the first page please select Locations, then Baptist Memorial Hospital Memphis, and that link is baptistonline.org/memphis/

A replacement page 2 follows.



3:16 pm

State of Tennessee
Health Services and
Andrew Jackson Building
www.tn.gov/hsda Phor

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION SECTION A: APPLICANT PROFILE

1.	Name of Facility, Agency, or Institution	<u>n</u>				
	Baptist Memorial Hospital					
	Name					-0
	Intersection of I-40 and Airline Road				elby	_
	Street or Route			(County	
	Arlington	TN			002	_
	City	State		Zi	p Code	
	Website address: http://www.baptistonline	e.org/				
	e: The facility's name and address must is sistent with the Publication of Intent.	be the name a	nd address	of the p	project and	must be
2.	Contact Person Available for Respons	ses to Questic	ons			
	Arthur Maples		Dir Regul		Planning &	Policy
	Name			Tit	le	
	Baptist Memorial Health Care Corpo	ration	Arthur.		s@bmhcc.	org
	Company Name			Email a	address	
	350 N Humphreys Blvd	Memphis	TN		38120	
	Street or Route	City	Sta	ate	Zip Code	
	Employee	901-227-413	7	901	-227-5004	
	Association with Owner	Phone Nu	ımber	Fa	x Number	_

NOTE: Section A is intended to give the applicant an opportunity to describe the project.

Section B addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

2. Section A., Executive Summary A, Item 1

Please clarify if an ambulance will be stationed at the satellite ED 24 hours/day, 7days/week, 365 days/year for life-threatening transports to full service hospitals.

It is noted the proposed site will have a helipad. Briefly describe the reasons that air transport may be necessary for transfer of Level IV or V patients who require immediate air evacuation to major trauma centers.

Please provide an overview of the applicant's experience in operating a satellite emergency facility.

Response:

Baptist Memorial Hospital has an agreement with MedicOne Medical Response to provide non-exclusive ambulance transfer services as may be requested by Baptist's patients. The determination about the availability of a 24 hr/day vehicle at this location will be made after some experience is gained to evaluate patient needs. It is anticipated that in the early stages, an ambulance will either be at this location or on call with Baptist Memphis.

A helipad is located because there are no hospitals in the immediate area. The closest hospital with a helipad is St Francis Bartlett that is 10 miles away. Acuity levels (emergency services index) 1 and 2 are somewhat correlated to CPT code level IV and V that are the most severe patients. BMHM will provide community education to advise patients that transportation may be necessary for extreme high risk needs. A patient may or may not be able to discern what intervention is necessary and may choose the nearest provider. In cases of level 1 and 2, depending on environmental conditions, a helicopter may be the best mode of transportation to an immediate major trauma center. The affiliation with Regional One will enhance communication of the patient's medical condition after stabilization.

The satellite emergency facility will be operated in a manner consistent with other BMH emergency departments. Baptist Memorial Hospital has operated emergency facilities for more than 100 years. While none of the current facilities are freestanding emergency departments, Team Health physicians have experience in operating FSEDs and staff have researched operational requirements.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

3 Section A., Executive Summary A, Item 4 Similar Providers 5 Project Cost

The applicant indicates there are no free standing emergency departments in the proposed service area. Please clarify if the applicant is referring to the proposed ZIP code service area only. Also, is there a hospital with an emergency department located in the proposed ZIP code service area?

Response:

There are no freestanding emergency departments in either the zip code service area or the county service area.

The primary county service area is Shelby and Fayette. There are no hospitals in Fayette County. The only hospital that was in Fayette County closed in 2015 as referenced in the previous CON presentation from Baptist in February 2016. That closure is one of the reasons for the location of this FSED.

The list of hospitals with emergency departments in Shelby County and their utilization for 2011-2015 is on page 24 of the application. The secondary county service area is Haywood and Tipton. The only hospital in Haywood County closed in 2014 as also referenced in the previous CON presentation. BMH - Tipton is the only hospital with an emergency department in Tipton County, BMH - Tipton is not shown on the list on page 24 because the impact of the FSED on its volumes will likely be minimal.

There is one (1) emergency department location in the zip code service area, St. Francis-Bartlett, which is approx. 10 miles away from the proposed Arlington FSED location.

4. Section A., Executive Summary A, Item B.1. Rationale for Approval, 1. Need

The applicant notes Regional One Medical Center averaged 48.5 hours diversion per month over the last 6 months of 2016. Please discuss and define what is meant by "diversion".

Response:

20-

Diversion can occur when a facility notifies Emergency Medical Services (EMS) of extensive service demand and wait times. It is clarified from references below from Bureau of Health Licensure and Regulation Division of Emergency Medical Services, General Rule 1200-12-01.

http://share.tn.gov/sos/rules/1200/1200-12/1200-12-01.20150401.pdf

~Rule 1200-12-01-.21 (2)(b) 4 and 5 page 79 and 80 4. If the Trauma Center chosen as the patient's destination is overloaded and cannot treat the patient, Trauma Medical Control shall determine the patient's destination. If Trauma Medical Control is not available, the patient's destination shall be determined pursuant to regional or local destination guidelines. 5. A transport may be diverted from the original destination:

(i) if a patient's condition becomes unmanageable or exceeds the capabilities of the transporting unit; or(ii) if Trauma Medical Control deems that transport to a Level I Trauma Center is not necessary

~Rule 1200-12-01-.21 (3) pg 80

2. Pediatric medical emergency transport may be diverted from the original destination if the patient's condition becomes unmanageable or exceeds the capability of the transporting unit, in which case the patient should be treated at the closest facility.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

5. Section A, Project Details, Item 4.B Ownership

Please provide documentation of the active entity status from the Tennessee Secretary's website as listed in the application.

Response:

Copy of documentation about Baptist Memorial Hospital follows.

Please provide a copy of the joint operating agreement between BMH and Regional One Health (ROH). Please clarify if the joint operating agreement has been approved by Centers for Medicare and Medicaid Services. The applicant has provided funding letters where ROH will contribute 40% and BMH will contribute 60% of the capital to fund the project. However, there is no document provided by the applicant that documents the funding arrangement. Without such documentation, final feasibility of the project is in question.

Response:

The letter of intent between BMH and ROH with respect to the joint operating agreement was inadvertently omitted from the original application and a copy is attached. The joint operating agreement is not subject to review and approval of CMS, and the arrangement will comply with all of the CMS requirements for the facility to be considered provider-based as to BMH. The definitive joint operating agreement between BMH and ROH will be consistent with the arrangement described in the Baker Donelson letter dated February 17, 2016, referenced below. That arrangement was reviewed in depth by the Department of Health, and the Department concluded that the facility could be properly licensed as part of BMH.

During the November 18, 2015Agency meeting regarding Baptist Memorial Hospital Satellite ED (Lakeland), Agency members deferred the application for 60 days pending clarification from the Tennessee Department of Health regarding the joint operating agreement (JOA) and CMS's approval. A letter dated February 17, 2016 from Baker Donelson is attached which outlines a similar Joint Operating Agreement between BMH and Regional One Health (ROH) for the Baptist Memorial Hospital Satellite ED (Lakeland) project. Please review the attached letter, and address the proposed project's JOA concerns as addressed previously by the applicant.

Response:

See above.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

It is noted ROH will contribute 40% funding for the project. Please describe and list what contribution ROH will provide to the operation of the FSED other than a 40% funding contribution.

Response:

ROH's additional contributions will be through its participation in the Board for Joint Operating Agreement. the pre-operational phase, the Board will make decisions about design, final terms with the developer, equipment purchases and development of initial operating and capital budgets. After the facility is built and licensed as part of BMH, the Board will act essentially in an advisory capacity to develop best practices, quality of care measures, quality assurance programs, utilization review and clinical protocols. activities and input of the Board are subject to the understanding that BMH will be solely in control of personnel, management, oversight of the service line director and other operational functions and decisions. All clinical services, medical staff functions, medical records, reporting relationships and controls, billing and administrative functions will be fully integrated with BMH.

Secretary of State

SUPPLEMENTAL #1

January 30, 2017 3:16 pm



Division of Business Services Department of State

State of Tennessee 312 Rosa L. Parks AVE, 6th FL Nashville, TN 37243-1102

Filing Information

Name:

BAPTIST MEMORIAL HOSPITAL

General Information

SOS Control #

000059948

Nonprofit Corporation - Domestic

03/29/1924 4:30 PM

Date Formed:

Formation Locale: TENNESSEE 03/29/1924

Fiscal Year Close 9

Status:

Filing Type:

Active

Duration Term:

Perpetual

Public/Mutual Benefit:

Public

Registered Agent Address

GREG DUCKETT

350 N HUMPHREYS BLVD MEMPHIS, TN 38120-2177 Principal Address

350 N HUMPHREYS BLVD MEMPHIS, TN 38120-2177

The following document(s) was/were filed in this office on the date(s) indicated below:

Date F	iled	Filing	Descri	ption
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Image #

11/21/2016 2016 Annual Report

B0317-0110

Principal Address 1 Changed From: 6019 WALNUT GROVE RD To: 350 N HUMPHREYS BLVD

Principal Postal Code Changed From: 38120-2113 To: 38120-2177

10/12/2016 Assumed Name

B0307-4667

New Assumed Name Changed From: No Value To: Baptist Memorial Medical Education

02/01/2016 2015 Annual Report

B0192-0840

01/25/2016 Assumed Name

B0182-6847

New Assumed Name Changed From: No Value To: Spence and Becky Wilson Baptist Children's Hospital

08/07/2015 Assumed Name Cancellation

B0139-0864

Name Status Changed From: Active (Baptist Gastrointestinal Specialists Surgery Center) To: Inactive - Name Cancelled (Baptist Gastrointestinal Specialists Surgery Center)

06/26/2015 Assumed Name Renewal

B0114-8165

Assumed Name Changed From: BAPTIST MEMORIAL HOSPITAL-MEMPHIS To: BAPTIST MEMORIAL HOSPITAL -MEMPHIS

Expiration Date Changed From: 08/09/2015 To: 06/26/2020

06/26/2015 Assumed Name Renewal

B0114-8168

Assumed Name Changed From: BAPTIST MEMORIAL HOSPITAL-COLLIERVILLE To: BAPTIST MEMORIAL HOSPITAL-COLLIERVILLE

1/27/2017 4:47:24 PM

Page 1 of 4

Filing Information

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3	Expiration D	ate Changed From: 08/09/2015 To: 06/26/2020	
	09/24/2014	2014 Annual Report	B0008-6092
	11/22/2013	2013 Annual Report	7251-3017
	09/20/2013	Assumed Name Renewal	7242-1057
		ime Changed From: BAPTIST MEMORIAL HOSPITAL FOR WOMEN To: BAPTIST MEI FOR WOMEN	MORIAL
	Expiration D	ate Changed From: 10/09/2013 To: 09/20/2018	
	01/15/2013	Assumed Name Cancellation	7131-3150
	Name Status	Changed From: Active (BMH-MEMPHIS) To: Inactive - Name Cancelled (BMH-MEMPH	HIS)
	01/15/2013	Assumed Name Cancellation	7131-3151
	Name Status	Changed From: Active (BMH-COLLIERVILLE) To: Inactive - Name Cancelled (BMH-C	OLLIERVILLE)
	01/15/2013	Assumed Name	7131-3152
	New Assume	ed Name Changed From: No Value To: Baptist Gastrointestinal Specialists Surgery Cen	ter
	10/12/2012	2012 Annual Report	7103-0880
	Principal Pos	stal Code Changed From: 38120 To: 38120-2113	
	09/23/2011	2011 Annual Report	6941-2675
	10/15/2010	2010 Annual Report	6782-2906
	08/09/2010	Assumed Name Renewal	6753-2741
	Assumed Na -MEMPHIS	me Changed From: BAPTIST MEMORIAL HOSPITAL-MEMPHIS To: BAPTIST MEMORIAL HOSPITAL HO	RIAL HOSPITAL
	Expiration D	ate Changed From: 08/09/2010 To: 08/09/2015	
	08/09/2010	Assumed Name Renewal	6753-2742
		me Changed From: BAPTIST MEMORIAL HOSPITAL-COLLIERVILLE To: BAPTIST MI COLLIERVILLE	EMORIAL
	Expiration Da	ate Changed From: 08/09/2010 To: 08/09/2015	
	08/09/2010	Assumed Name Renewal	6753-2743
ā	Assumed Na	me Changed From: BMH-MEMPHIS To: BMH-MEMPHIS	
	Expiration Da	ete Changed From: 08/09/2010 To: 08/09/2015	
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	10/23/2008	2008 Annual Report	6391-2716
	10/09/2008	Assumed Name	6388-1626
	08/08/2008	Merger	6361-0663
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15.

Filing Information

	1.00		
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	11/20/2006	2006 Annual Report	5892-0832
	10/19/2005	2005 Annual Report	5587-0994
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	08/09/2005	Assumed Name	5529-0247
	'08/09/2005	Assumed Name	5529-0248
	08/09/2005	Assumed Name	5529-0249
s"	12/01/2004	2004 Annual Report	5291-1455
	10/01/2003	2003 Annual Report	4924-0462
	12/17/2002	2002 Annual Report	4677-0263
	Principal Ad	dress Changed	
	Registered /	Agent Physical Address Changed	
	07/31/2002	Administrative Amendment	4565-1576
	Mail Addres	s Changed	
	01/16/2002	2001 Annual Report	4395-2163
	Mail Addres	s Changed	
	12/29/2000	2000 Annual Report	4074-1546
	_	Agent Changed	0704 0500
	11/10/1999	CMS Annual Report Update	3764-3500
	·	dress Changed	2240 2242
	06/06/1997	-	3346-2343
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	_	trol # Changed From: 000139755	3228-1590
		Amended and Restated Formation Documents	3226-1590
	e.	Agent Changed	3059-1360
	_	Articles of Amendment	2974-1046
		CMS Annual Report Update	2074 1040
		Close Changed Administrative Amendment	FYC/REVENU
	02/02/1991	Administrative Amendment	E
	Fiscal Year	Close Changed	
		Restated Formation Documents	2030-0514
	Registered /	Agent Physical Address Changed	
	4	Administrative Amendment	2026-1921
	Fiscal Year	Close Changed	
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	1/27/2017 4:4	+1.24 FIVI	

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

Filing Information

Name:	BAPTIST MEMORIAL HOSPITAL		
06/16/1990	Administrative Amendment	FY E	C/REVENU
Fiscal Year	Close Changed		
08/03/1982	Articles of Amendment	30	7 01007
Name Chai	nged		
Principal Ad	ddress Changed		
07/30/1982	Restated Formation Documents	30	7 01007
03/29/1924	Initial Filing	BB	02P0123
1960 mil			
Active Ass	umed Names (if any)	Date	Expires
Baptist Mer	norial Medical Education	10/12/2016	10/12/2021
	d Becky Wilson Baptist Children's Hospital	01/25/2016	01/25/2021
	MEMORIAL HOSPITAL-MEMPHIS	08/09/2005	06/26/2020
	MEMORIAL HOSPITAL-COLLIERVILLE	08/09/2005	06/26/2020
	MEMORIAL HOSPITAL FOR WOMEN	10/09/2008	09/20/2018



Joint Operating Agreement



January 23, 2017

Baptist Memorial Hospital d/b/a Baptist Memorial Hospital, Inc. – Memphis Attn: Jason Little, President and CEO 350 N. Humphreys Blvd. Memphis, TN 38120

Re: Joint Operating Agreement for the Operation of Free Standing Emergency Departments between Baptist Memorial Hospital, Inc., a Tennessee nonprofit corporation d/b/a Baptist Memorial Hospital – Memphis ("Baptist") and Shelby County Health Care Corporation, a Tennessee nonprofit corporation d/b/a Regional One Health ("Regional One")

Dear Jason:

The purpose of this Letter of Intent is to confirm the intent of Regional One to enter into a Joint Operating Agreement (the "FED JOA") with respect to the development of freestanding emergency departments in the Memphis metropolitan service area in a manner consistent with the provision of the term sheet attached hereto as Exhibit A (the "Term Sheet") and the chart attached hereto as Exhibit B.

While the terms and conditions set forth in the Term Sheet constitutes a good faith summary by the partles of their intent with respect to the FED JOA and the filing of a certificate of need application by Baptist, the Term Sheet does not contain all of the critical terms of the proposed FED JOA and is subject to the terms and conditions set forth in a formally executed FED JOA.

Please feel free to contact us if you have any questions. We look forward to working with you to finalize this transaction.

Sincerely,

Reginald W.)Coopwood, M.D., President and CEO,

Shelby County Health Care Corporation

d/b/a Regional One Health

ACKNOWLEDGED AND AGREED TO THIS 25TH DAY OF JANUARY 2017

Baptist Memorial Hospital, Inc. d/b/a Baptist Memorial Hospital-Memphis

ALL STATE

Jason Little, President and CEO

Exhibit A

Baptist Memorial Hospital Inc. Regional One Health Freestanding Emergency Department Project

Baptist Memorial Hospital Inc./Proposal for Emergency Service Venture:

- Baptist Memorial Hospital Inc., through its controlled hospital affiliated Baptist Memorial Hospital-Memphis (Baptist), has developed a plan and pro-forma financial analysis for the provision of freestanding emergency department ("FED") services in the Memphis metropolitan service area.
- The site will be located east of the intersection of I-40 and Airline Road and will be operated under a
 JOA collaborative arrangement (the "FED JOA")
- Capital costs (via the LLC) and profits/losses (via the FED JOA) will be shared 60% by Baptist and 40%
 by Regional One with respect to the FEDs to be developed under the FED JOA.
- Baptist will file CON applications for the FED site. Regional One will provide input on, comment on, and have the right to approve all FED CON applications such consent not to be unreasonably withheld.
- The FED will comply with all requirements to be licensed by Baptist Memorial Hospital, Inc.

Join Operating Agreement (JOA) Model

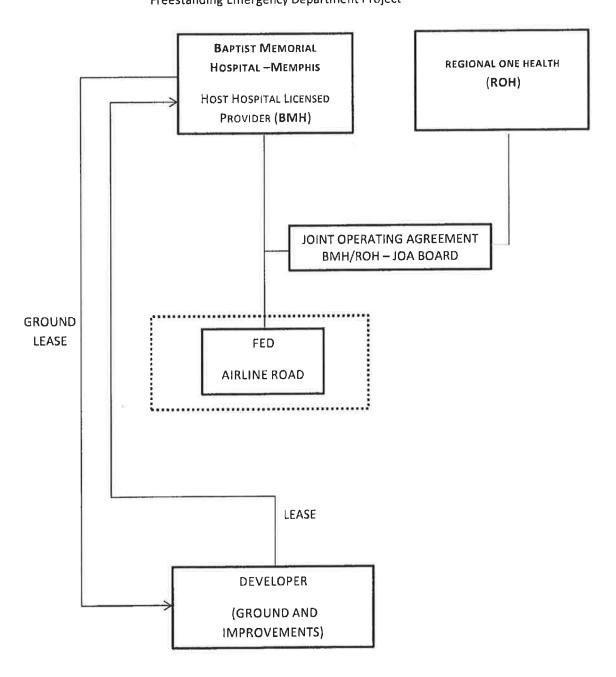
- The FED would be provider-based to the host hospital. Baptist would be the host hospital for all the FED site.
- Baptist and Regional One would establish a JOA Governing Board, with Baptist and Regional One holding an equal number of Board positions, to govern the FED site.
- The FED host hospital would delegate to the JOA Board certain powers, including the authority to recommend operating and capital budgets, oversight of FED management and the ability to allocate resources relative to the FED service line, consistent with the provider based rules.
- Once a FED becomes operational, the budgeting, personnel, management, service line director, contracting, and similar decisions will become items with respect to which the host hospital must reserve final approval due to the provider-based rules.

Exhibit B

Baptist Memorial Hospital, Inc.

Regional One Health

Freestanding Emergency Department Project



Baker Donelson letter

BAKER DONELSON BEARMAN, CALDWELL & BERKOWITZ, PC

BAKER DONELSON CENTER, SUITE 800 211 COMMERCE STREET NASHVILLE, TENNESSEE 37201

MAILING ADDRESS: P.O. BOX 190613 NASILVILLE, TENNESSEE 37219

PHONE: 615.726.5600

www.bakerdonelson.com

RICHARD G. COWART, SHAREHOLDER Direct Dial: 615.726.5660 Direct Fax: 615.744.5660 E-Mail Address:doowarl@bakerdonelson.com

February 17, 2016

Gregory M. Duckett, Esq. Senior Vice President & General Counsel Baptist Memorial Health Care Corporation 350 North Humphreys Boulevard-Fifth Floor Memphis, TN 38120-2177

Re: Freestanding Emergency Department

Dear Greg:

The purpose of this correspondence is to overview the provider-based status for the freestanding emergency department proposed by BMH-Memphis to be constructed at the Intersection of Highway 64 and Canada Road, Lakeland, Tennessee (the "Lakeland Site"), subject to CON approval (the "FED"). The FED will be included in a proposed Joint Operating Agreement ("JOA") with Regional One Health ("ROH"). The proposed JOA provides for the sharing of financial results after the facility is operational, but does not create a joint venture for ownership, governance or the operations of the health care services.

The proposed FED will be off-campus to BMH-Memphis, and I will briefly review the provider-based attestation that BMH-Memphis will be required to make:

- 1. Ownership and Control 42 C.F.R. §413.65(e)(1). Medicare regulations permit provider-based status for off-campus facilities so long as, among other requirements, the facility seeking provider-based status is under the ownership and control of the main provider as evidenced by the following:
 - the business enterprise that constitutes the facility is 100 percent owned by the main provider;
 - the main provider and the facility seeking provider-based status have the same governing body;

N RGC 1634688 v2 2132202-098051 02/18/2016

ALABÁMA FLORIDA GEORGIA LOUISIANA MISSISSIPPI TENNESSFE TEXAS WASHINGTON, D.C.

Gregory M. Duckett, Esq. February 17, 2016 Page 2

- the facility seeking provider-based status is operated under the same organizational documents as the main provider (e.g., subject to common bylaws and operating decisions of the governing board of the main provider); and
- the main provider has final responsibility for administrative decisions, final approval for contracts with outside parties, final approval for personnel actions, final responsibility for personnel policies, and final approval for medical staff appointments in the facility.

The proposed JOA with ROH allows ROH to participate in the FED LLCs and the results of operations, but it does not displace the ownership and control of BMH in the FED clinical departmental service line. The proposed FED would be in compliance with the Medicare provider-based regulations regarding ownership and control. BMH-Memphis intends to attest to the provider-based certifications accordingly, as follows:

- · Ownership. BMH-Memphis will own the FED service line.
- Governance. BMH-Memphis and the FED will have the same BMH-Memphis governing body.
- Organization. The FED will be operated under the BMH-Memphis organizational documents (i.e., common medical staff, bylaws), and the FED is subject to common operating decisions flowing from BMH-Memphis administration.
- 2. Administration and Supervision 42 C.F.R. §413.65(e)(2). Medicare regulations provide the following regarding administration and supervision for off-campus provider-based site:
 - The provider-based entity is under the direct supervision of the main hospital.
 - The provider-based entity is operated under the same monitoring and oversight by the main hospital as any other department of the main hospital, and is operated just as any other department of the main hospital with regard to supervision and accountability. The director or individual responsible for daily operations at the provider-based entity:
 - o maintains a reporting relationship with a manager at the main hospital that has the same frequency, intensity, and level of accountability that exists in the relationship between the main hospital and its departments; and
 - o is accountable to the governing body of the main hospital, in the same manner as any department head of the provider.
 - The following administrative functions of the provider-based entity are integrated with those of the main hospital: billing services, medical records, human resources,

N RGC 1634688 v2 2132202-098053 02/18/2016

Gregory M. Duckett, Esq. February 17, 2016 Page 3

payroll, employee benefit package, salary structure, and purchasing services. Either the same employees or group of employees handle these administrative functions for the provider-based entity and the main hospital, or the administrative functions for both the entity and the main hospital are: a) contracted out under the same contract agreement; or b) handled under different contract agreements, with the contract of the entity being managed by the main hospital.

BMH-Memphis will meet each of these criteria in the proposed JOA:

- The FED will be directly supervised by BMH-Memphis.
- FED will be a component part of the BMH-Memphis emergency department reporting directly to the departmental manager and with oversight from the BMH-Memphis Board.
- The enumerated administrative functions (e.g. billing, medical records, human resources, et al.) for the FED will all be provided by BMH-Memphis.

The CMS' central office has issued guidance regarding provider-based on-campus and off-campus joint ventures. CMS has not issued guidance on joint operating arrangements. The proposed JOA is not a joint venture for health law or other purposes. We have had conceptual discussions regarding various operating structures that are not joint ventures. The CMS position has consistently been that the provider-based attestation controls. If the provider-based sponsor can accurately attest to the provider-based elements, CMS then may certify the location as being provider-based.

I hope this is responsive to your inquiry. Please contact me if you have any additional questions.

Sincerely,

BAKER, DONELSON, BEARMAN, CALQWELL & BERKOWITZ, PC

Richard G. Cowart

RGCijwn

N RGC 1634688 v3 2132202-098053 02/18/2016

6. Section A, Project Details, Item 4.B Legal Interest

It is noted Baptist Memorial Health Care Corporation owns the 1.65 acre site. Please provide a copy of the deed for the property.

The non-binding letter of intent between TC Northeast Metro Development, Inc. and Baptist Memorial Health Care Corporation dated January 24, 2017 is noted. However, please provide a copy of the ground lease between TC Northeast Metro Development, Inc. and Baptist Memorial Health Care Corporation.

Response:

A copy of the deed for the property follows.

A copy of the ground lease between TC Northeast Metro Development, Inc and Baptist Memorial Health Care Corporation follows.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

Deed for the Property

QUITCLAIM DEED

KNOW ALL PERSONS BY THESE PRESENTS, That M. Anderson Cobb, Jr., Trustee under Trust Agreement dated July 14, 2006, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, does hereby bargain, sell, remise, release, quit claim and convey unto Baptist Memorial Health Care Corporation, a Tennessee not-for-profit corporation, party of the second part, all his right, title and interest in and to the following described real estate located in Shelby County, Tennessee, to-wit:

SEE EXHIBIT A ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

Being the same property conveyed to M. Anderson Cobb, Jr., Trustee, under Trust Agreement dated July 14, 2006, by Warranty Deed of record at Instrument No. 06111889 in the Register's Office of Shelby County, Tennessee.

IN TESTIMONY WHEREOF, party of the first part has hereunto set his hand this 20th day of December, 2006.

M. Anderson Cobb, Jr. / Trustee under Trust Agreement dated July 14, 2006

State of Tennessee County of Shelby

Personally appeared before me, the undersigned, a Notary Public of said County and State, M. Anderson Cobb, Jr. whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the within instrument for the purposes therein contained.

WITNESS my hand and Notarial Seal at office this _______ day of December, 2006.

NOTARY

Notary Public

My Commission Expires:

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

I hereby swear or affirm that to the best of affiant's knowledge, information, and belief, the actual consideration for this transfer is less than \$50.00.

Affiant

Subscribed and sworn to before me this ______ day of December, 2006.

Notary Public

My Commission Expires:

Property known as:

NE Corner of Airline Road and I-40 Arlington, TN

Tax Parcel Identification:

AD01-5200-2240

Property Owner:

Baptist Memorial Health Care Corporation 350 N. Humphreys Blvd. Memphis, TN 38120

Mail Tax Bills To:

Baptist Memorial Health Care Corporation 350 N. Humphreys Blvd. Memphis, TN 38120

Prepared by and return to:

Harris Shelton Hanover Walsh, P.L.L.C.

M. Anderson Cobb, Jr.
6060 Poplar Ave., Suite 450
Memphis, TN 38119

EXHIBIT A

COMMENCING AT A FOUND COTTON PICKER SPINDLE IN THE CENTER LINE OF AIRLINE ROAD (RIGHT-OF-WAY VARIES), SAID SPINDLE BEING LOCATED NORTHWARDLY ALONG SAID CENTER LINE A DISTANCE OF 3,075.94 FEET FROM THE NORTH LINE OF INTERSTATE 40 (RIGHT-OF-WAY VARIES), SAID SPINDLE ALSO BEING THE SOUTHWEST CORNER OF THE CHRISTOPHER MONTESI PROPERTY AS RECORDED IN INSTRUMENT NUMBER 02209380 AND THE NORTHWEST CORNER OF THE BELZ/HYNEMAN LP PROPERTY AS RECORDED IN INSTRUMENT NUMBERS KG 9227 AND KH 3765 IN SAID REGISTER'S OFFICE; THENCE SOUTH 03 DEGREES 28 MINUTES 25 SECONDS WEST ALONG SAID CENTERLINE OF AIRLINE ROAD A DISTANCE OF 1259.87 FEET TO THE POINT OF BEGINNING FOR THE PROPERTY DESCRIBED HEREIN; THENCE LEAVING SAID CENTERLINE ON A NEW LINE SOUTH 86 DEGREES 30 MINUTES 29 SECONDS EAST A DISTANCE OF 617.95 FEET TO A POINT; THENCE NORTH 31 DEGREES 02 MINUTES 12 SECONDS EAST A DISTANCE OF 89.28 FEET TO A POINT; THENCE NORTH 4 DEGREES 36 MINUTES 44 SECONDS EAST A DISTANCE OF 167.75 FEET TO A POINT; THENCE SOUTH 86 DEGREES 31 MINUTES 35 SECONDS EAST FOR A DISTANCE OF 2311.38 FEET TO A POINT IN THE EAST LINE OF SAID BELZ INVESTCO GP AND UNION REALTY COMPANY GP (PARCEL "A") PROPERTY, BEING THE WEST LINE OF THE RICHARD G. WILSON REVOCABLE TRUST PROPERTY AS RECORDED IN INSTRUMENT NUMBER HB 1831 IN SAID REGISTER'S OFFICE; THENCE SOUTH 04 DEGREES 04 MINUTES 42 SECONDS WEST ALONG THE WEST LINE OF SAID WILSON PROPERTY A DISTANCE OF 538.16 FEET TO A POINT ON THE NORTH LINE OF INTERSTATE 40, RIGHT-OF-WAY MONUMENT FOUND 0.4 FEET SOUTHEASTWARDLY; THENCE SOUTH 59 DEGREES 43 MINUTES 38 SECONDS WEST ALONG THE NORTH LINE OF SAID INTERSTATE A DISTANCE OF 1,246.77 FEET TO A FOUND RIGHT-OF-WAY MONUMENT; THENCE SOUTH 64 DEGREES 50 MINUTES 07 SECONDS WEST ALONG SAID NORTH LINE A DISTANCE OF 753.72 FEET TO A POINT; THENCE SOUTH 68 DEGREES 06 MINUTES 01 SECONDS WEST A MEASURED DISTANCE OF 213.64 FEET (CALLED, 248.48') TO A POINT ON SAID NORTH LINE, SAID POINT ALSO BEING THE NORTHWEST CORNER OF THE BOND ENTERPRISES PROPERTY AS RECORDED IN INSTRUMENT NUMBER G1 6597 IN SAID REGISTER'S OFFICE; THENCE NORTH 86 DEGREES 35 MINUTES 44 SECONDS WEST ALONG THE NORTH LINE OF SAID ENTERPRISES PROPERTY AND AN EXTENSION THEREOF A MEASURED DISTANCE OF 782.27 FEET (CALLED, 733.17') TO A POINT ON THE EAST LINE OF SAID AIRLINE ROAD; THENCE NORTH 30 DEGREES 44 MINUTES 35 SECONDS WEST ALONG SAID EAST LINE A MEASURED DISTANCE OF 122.32 FEET (CALLED 153.82') TO A POINT; THENCE NORTHWESTWARDLY ALONG SAID EAST LINE, ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 716.51 FEET, A CHORD BEARING AND DISTANCE OF NORTH 13 DEGREES 38 MINUTES 05 SECONDS WEST - 421.56 FEET AND AN ARC LENGTH OF 427.89 FEET TO A POINT ON SAID EAST LINE; THENCE NORTH 03 DEGREES 28 MINUTES 25 SECONDS EAST AND CONTINUING ALONG SAID EAST LINE A DISTANCE OF 314.87 FEET TO A POINT; THENCE NORTH 86 DEGREES 31 MINUTES 35 SECONDS WEST A DISTANCE OF 102.00 FEET TO A POINT ON THE CENTER LINE OF SAID AIRLINE ROAD; THENCE NORTH 03 DEGREES 28 MINUTES 25 SECONDS EAST ALONG SAID CENTER LINE A DISTANCE OF 618.88 FEET TO THE POINT OF BEGINNING AND CONTAINING 3,705,165 SQUARE FEET OR 85.0589 ACRES OF LAND.



Tom Leatherwood Shelby County Register

As evidenced by the instrument number shown below, this document has been recorded as a permanent record in the archives of the Office of the Shelby County Register.



Ground Lease

between

TC Northeast Metro Development, Inc

and

Baptist Memorial Health Care Corporation





BAPTIST MEMORIAL HEALTH CARE CORPORATION

Cheri Clarke Doyle, Senior Vice President Trammell Crow Company 300 Conshohocken State Road, Suite 250 West Conshohocken, PA 19428

Re: Letter of Intent for Ground Lease of Property in Arlington, TN, on Airline Road

Dear Cheri:

This letter will confirm the intent of parties to enter into a prepaid ground lease pursuant to which Baptist Memorial Health Care Corporation ("BMHCC") will lease to TC Northeast Metro Development, Inc., ("TC") a portion of the property currently owned by BMHCC on Airline Road in Arlington, TN, subject to the terms as follows:

- The parcel to be leased to TC is the property associated with the proposed emergency department facility to be operated as part of Baptist Memorial Hospital, as more fully described in the Letter of Intent between TC and BMHCC for development of the emergency department facility dated January 24, 2017.
- The term of the prepaid ground lease will be seventy (70) years plus two (2) ten (10) year extension options.
- The consideration payable by TC to BMHCC for the prepaid ground lease will be one dollar (\$1.00) per year.
- The obligations of the parties to this Letter of Intent are subject to agreement on mutually acceptable terms of a definitive lease agreement and satisfaction of the terms and conditions set forth in the Letter of Intent dated January 24, 2017, described above.

This Letter of Intent is effective as of January 27, 2017, and will continue until the terms and conditions described above have been satisfied or until the parities determine that the terms and conditions cannot be satisfied.

Baptist Memorial Health Care Corporation

By: Serial Corporation

By: EVP+ C50

Pate: 1/3-//>
TC NE Metro Development, Inc.

By: VV

Its: 0(05) 0 0 1

Date: 1-30-17

7. Section A, Project Details, Item 6.B 2 Floor Plan

Please complete the chart below:

Response:
The chart is completed below.

Patient Care Areas other than Ancillary Services	# Hospital ED	# proposed Satellite ED	# Combined EDs
Exam/Treatment Rooms	43	10	53
Multipurpose			
Gynecological	2	1 included in exam	2 (1 included in exam)
Holding/Secure/Psychiatric	2 included in exam	1 included in exam	3 included in exam
Isolation	2 included in exam	1 included in exam	3 included in exam
Orthopedic	2	11-021-384	2
Trauma	6	I included in exam	6 (1 included in exam)
Other	1		1
Triage Stations	3 not rooms	2 not rooms	5 not rooms
Decontamination Rooms/Stations	I area not room	I area not room	2 area not rooms
Total			
Useable SF of Main and Satellite ED's	54	10	64



8. Section A, Project Details, Item 6.B 3 Transportation Routes

It is noted the proposed location is close to Interstate 40. What is the distance of the proposed site from the nearest Interstate 40 exit?

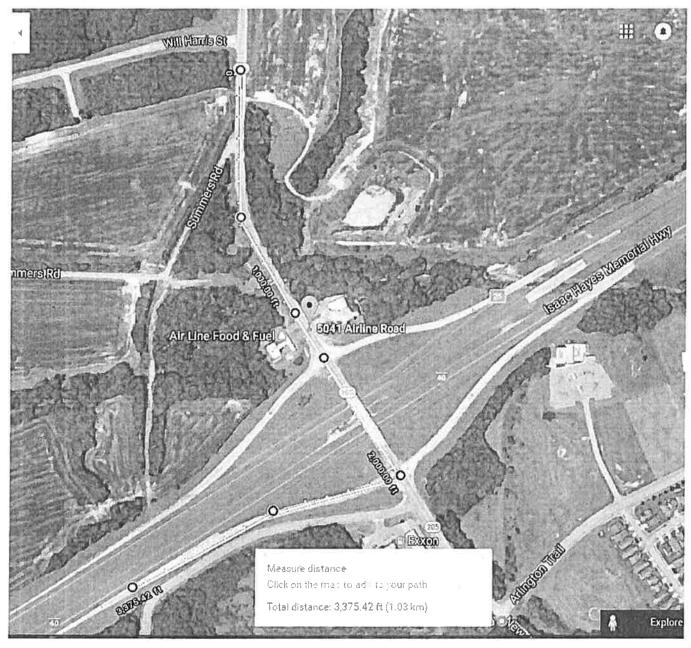
Response:

The proposed FSED site is at exit number 25.

From I-40 East, the FSED shown as approx. 0.6 mile from the exit.



From I-40 West, the FSED is shown approx. 0.4 mile from the exit.





9. Section A, Project Details, Item 10 Bed Complement Data Chart

There are totals in the Bed Complement Data Chart that are incorrect. Please review and submit a revised page 11.

Response:

The Bed Complement Data Chart has been corrected and a replacement page 11 follows.

					Jan	uary 30,	2017
10. Be	ed Complement Data			,	3:16	pm	
-		مرم تفريط السفسة أم أم		At a.m. a.f. f 1114	la a al a		
А.	Please Indicate current and propose	a distribution	and certifica	tion of facility	peas.		
		Current Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempted	TOTAL Beds at Completion
1)	Medical	724	576				724
2)	Surgical						
3)	ICU/CCU	91	83	1.70-151			60
4)	Obstetrical	60	60				91
5)	NICU	40	40				40
6)	Pediatric	12	12		·		12
7)	Adult Psychiatric				-		
8)	Geriatric Psychiatric				N-		
9)							
10)							
11)							
12)	[설문 : [1] 12 - 12 - 12 - 12 - 12 - 12 - 12 - 12		5			())
13)	Long-Term Care Hospital			•			
14)	Swing Beds		5		-		
15)	Nursing Home – SNF (Medicare only)		1	(**************************************		((
16)	Nursing Home – NF (Medicaid only)					E 	-
17)	Nursing Home – SNF/NF (dually certified Medicare/Medicaid)						**
18)	Nursing Home – Licensed (non-certified)						
19)	ICF/IID	}	:			-	
20)	Residential Hospice						
TO) DTAL	007	549				007
*B	eds approved but not yet in service	<u>927</u> **Beds exem	oted under 10	% per 3 year p	rovision		927
	Describe the reasons for change in bed existing services. Attachment Section	n A-10.					-
	This project does not						
services	s or initiation of new s	ervices f	or which	a certif	icate of	need is a	required.
C. F	Please identify all the applicant's	autotondina	Contidionto	f blood proje	ata that hav	المحتمدا	bod down
O. F	component. If applicable, complete	chart below.	Certificate C	n need proje	cus unat nav	e a licensed	bed change
Response	: The applicant does no	t have an	y outsta	nding Cer	tificates	of Need	that
have a	Ticensed bed change com	ponent.	_	-			
	CON Number(s) CON Expir	ation Total	Licensed Be Approved	eds			
							1
-	· · · · · · · · · · · · · · · · · · ·						

10. Section B, Need, Renovation and Expansion, Item 3.a.

Please clarify the reason ED visits at Regional One Health declined from 55,963 in 2013 to 52,327 in 2015 while BMH Memphis increased from 60,274 in 2013 to 62,492 in 2015.

Response:

Further analysis determined that the numbers provided in the JAR are not comparable. There was actually a 4% increase in visits.

	2013	2014	2015	2016
Presented	55,963	58,630	58,080	62,240
Treated	Not	53,187	52,327	
	Available			

In 2013, the reported number 55,963 represents patients who presented. The number of patients who were treated in 2013 is not available due to a computer system change.

The total number of patients who presented in 2014 was 58,630 and 2015 was 58,080. Patients presented includes those left without being seen or left against medical advice. That number was not shown on the JAR due to a change in information systems.

Comparing these numbers 58,630 in 2014 to 55,963 in 2013, indicates an increase of approx. 4.8%. It is essentially stable from 2014 to 2015 with less than 1% decrease in 2015. The stabilization is not due to any known factors.

In 2016 the number increases to 62,240 which is a 7.2% increase.

11. Section B, Need, Renovation and Expansion, Item 3.b.

Is it possible to increase space at the applicant's existing ED by expanding the footprint of the facility?

Response:

The most recent expansion was completed in 2011 and has expanded to the extent possible on the land available in the northeast direction closest to Brierview Street. The expansion was phased in over 3 years because of the need to keep the ED operational. However, the long construction caused inconvenience to both staff and patients. The primary reason for the addition was to improve the privacy and comfort of patients in the treatment area. The number of treatment spaces increased from 50 to 54.

12. Section B, Need, Item B

It is noted Delta Medical has reduced ED hours and hospitals in Haywood and Fayette Counties have closed. Please discuss the reduction of ED hours at Delta Medical and the former ED and licensed bed capacities at closed hospitals in Haywood and Fayette Counties. In your response please provide dates of the reduction of ED hours and hospital closures.

Response:

In April 2016, Delta Medical Center ceased providing 24 hour emergency room service. They are now open 7 am to 7 pm. As shown on http://www.deltamedcenter.com/emergency, Delta Medical Center offers a Level 3 Emergency Department with 7am-7pm care and the ability to treat any emergency, excluding trauma, burns, or delivering babies. Arrangements are available for services not provided by the Emergency Department.

Baptist has experienced an increase of 6.4% in visits from FY 2015 to FY 2016. The closure in April would have been reflected in the last 6 months of FY 2016. Reductions and closures of the hospitals in Haywood and Fayette counties contribute to the rise in more ED capacity.

As discussed in Supplemental question 3, the hospital in Haywood County closed in 2014 and the hospital in Fayette County closed in 2015. This application considers patients who travel from the zip code areas where the closed hospitals were located. The location of the proposed Arlington FSED will make a significant improvement in access for patients in both Haywood and Fayette counties who rely on Baptist hospitals for emergency service.

13. Section B, Need, Item C

What is the distance from the former Haywood Park Community Hospital and closed Methodist Healthcare to the proposed satellite ED site and St. Francis Hospital Bartlett, respectively?

The % of total procedures column in the chart on page 21 labeled "Projected Year 1 Arlington FSED" are not calculated correctly. Please correct and submit replacement page 21.

Response:

The distance from Haywood Park Community Hospital and Methodist Fayette Hospital to the proposed Arlington FSED site and St Francis Bartlett is shown in the table below.

	Arlington FSED	St Francis Bartlett
Haywood Park Community Hospital 2545 N Washington Ave, Brownsville, TN 38012	36.5 miles	45.6 Miles
Methodist Fayette 214 Lakeview Rd, Somerville, TN 38068	21.2 miles	25.6 miles

^{**}source: Google Maps

A replacement page 21 is provided.



Please complete the following tables, if applicable:

2015 Base planning year for Baptist emergency departments

Service Area Zips	Historical Utilization-Zip Residents	% of total procedures
38002	1,439	11.7%
38012	314	2.5%
38016	2,595	21.0%
38018	1,205	9.8%
38028	529	4.3%
38049	932	7.6%
38053	1,137	9.2%
38060	575	4.7%
38068	927	7.5%
38069	373	3.0%
38076	152	1.2%
38133	1,154	9.4%
38135	1,007	8.2%
TOTAL	12,339	100%

Projected Year 1 Arlington FSED

Service Area Zips	Projected Utilization-Zip Residents	% of total procedures
38002	955	15.4%
38012	127	2.0%
38016	1181	19.0%
38018	522	8.4%
38028	342	5.5%
38049	514	8.3%
38053	504	8.1%
38060	329	5.3%
38068	491	7.9%
38069	160	2.6%
38076	74	1.2%
38133	512	8.2%
38135	496	8.0%
TOTAL	6,207	100%

14. Section B, Need, Item C (b).

The population table on page 23 is noted. However, it is unclear if the applicant used 2017 as the current year and 2021 as the projected year. If not, please revise the table and submit a replacement page 23.

Response:

The population table for counties is taken from the reference provided from the new CON application.

Projected Population Data:

http://www.tn.gov/health/article/statistics-population

TennCare Enrollment Data: http://www.tn.gov/tenncare/topic/enrollment-data

Census Bureau Fact Finder:

http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

The zip code population information came from Truven Health Analytics Market Expert for the same time period.



15. Section B, Need, Item 5.

Please provide a utilization table of Baptist Hospital's (Walnut Grove Rd. location) admission, patient days, and occupancy rate for the last three reporting years.

Please identify existing urgent care centers in the applicant's zip code service area by completing the following table.

Urgent Care Centers in Applicant's Proposed Zip Code Service Area

Urgent Care Center Name	Address	Dist. from Proposed ED	Operating Hours	Medicare, TennCare, & Major Ins accepted?
Baptist Minor Medical Center-Bartlett	7424 Hwy #64 Suite 111 Bartlett, TN 38133	9.8	7 Days a week 8 a.m 7:30 p.m.	Medicare – yes TennCare – Yes Major Ins - yes
Baptist Minor Medical Center-Cordova	670 N. Germantown Pkwy Ste 18 Cordova, TN 38018	12.7	7 Days a week 8 a.m 7:30 p.m.	Medicare – yes TennCare – Yes Major Ins – yes
Baptist Minor Medical Center-Memphis	3295 Poplar Avenue #105 Memphis, TN 38111	20	7 Days a week 8 a.m 7:30 p.m.	Medicare – yes TennCare – Yes Major Ins – yes
Methodist Minor Medical Center - Cordova	8095 Club Pkwy. Cordova, TN 38107	11.4	Mon-Fri, 8am- 7pm; Sat-Sun, 8am- 6pm	Medicare – yes TennCare – yes Major Ins - yes
Methodist Minor Medical Center - Hacks Cross	8071 Winchester Rd. Memphis, TN 38125	28.2	Mon-Fri, 8am- 7pm; Sat-Sun, 8am- 6pm	Medicare – yes TennCare – yes Major Ins – yes
Methodist Minor Medical Center - Midtown	1803 Union Avenue #2 Memphis, TN 38104	22.1	7 days a week, 9am-9pm	Medicare – yes TennCare – yes Major Ins - yes
Urgent Care (Le Bonheur) - Cordova	8045 Club Pkwy Cordova, TN 38016	11.2	Mon-Fri, 3-11pm; Sat-Sun, noon- 9pm	Medicare – yes TennCare – yes Major Ins – yes
Urgent Care (Le Bonheur) - Memphis	8071 Winchester Rd. Memphis, TN 38125	28.2	Mon-Fri, 3-11pm; Sat-Sun, noon- 9pm	Medicare – yes TennCare – yes Major Ins – yes
MedPost Urgent Care	853 W. Poplar Ave. Collierville, TN 38017	19.9	M-F: 8:00 AM- 8:00 PM Sa-Su: 9:00 AM- 5:00 PM	Medicare – yes TennCare – yes only Amerigroup Major Ins – yes
MedPost Urgent Care	1520 Bonnie Lane Cordova, TN 38016	10.8	M-F: 8:00 AM- 8:00 PM Sa-Su: 9:00 AM- 5:00 PM	Medicare – yes TennCare – yes only Amerigroup Major Ins – yes
MedPost Urgent Care	1941 S. Germantown Rd Suite 103 Germantown, TN 38138	15.8	M-F: 8:00 AM- 8:00 PM Sa-Su: 9:00 AM- 5:00 PM	Medicare – yes TennCare – yes only Amerigroup Major Ins – yes

Please complete the following table for the historical and projected ED volumes of Baptist Memorial Hospital (Walnut Grove location) and Proposed Satellite ED from 2014 to year One by level of care consistent with CPT codes 99281 (lowest acuity), 99282, 99283, 99284 and 99285 (highest acuity patient).

Baptist Hospital and Proposed Satellite ED Historical and Projected Utilization by Level of Care

Level of Care	Main ED	Main ED	Main ED	Main ED	Satellite ED	Combined Year 1
	2014	2015	2016	Year 1	Year 1	
Level I	2,796	1,811	854	1,826	18	1,843
Level II	7,623	5,592	3,554	5,606	136	5,742
Level III	21,004	18,835	17,174	19,0690	2040	21,100
Level IV	18,744	20,527	27,088	22,185	2374	24,559
Level V	12,284	15,728	17,796	15,314	1639	16,953
Total	62,451	62,492	66,467	63,991	6,207	70,198

Please complete the following chart for projected ED utilization by zip code in Year 1 of the proposed Satellite ED project for zip codes with patient origin over 0.15%.

Patient Zip Code	Name	Population in 2019	Main ED Visits Year 1	Proposed Satellite ED Visits Year 1	Total ED Visitsfrom zip area	% by Zip Code	Cumulative %
38002	Arlington	48,577	302	955	1257	12%	12%
38012	Brownsville	14,404	31	127	158	1%	13%
38016	Cordova	47,209	1134	1181	2315	21%	21%
38018	Cordova	39,359	427	522	949	9%	30%
38028	Eads	8,196	73	342	415	4%	34%
38049	Mason	4,989	107	514	621	6%	40%
38053	Millington	28,295	452	504	956	9%	48%
38060	Oakland	10,298	134	329	463	4%	53%
38068	Somerville	10,890	207	491	698	6%	59%
38069	Stanton	3,088	21	160	181	2%	61%
38076	Williston	1,253	685	74	759	7%	68%
38133	Bartlett	21,596	682	512	1194	11%	79%
38135	Bartlett	31,312	400	496	896	8%	87%
TOTALS		269,467	4656	6207	10863	100%	



Baptist Memorial Hospital (Walnut Grove location) and Proposed Satellite ED Historical and Projected Utilization

		Actual		Proj	ected	
Year	2014	2015	2016	Yr 1	Yr.2	Yr. 5
Main Campus Visits	62,451	62,492	66,467	63,991	63,656	68,165
Main Campus Rooms	54	54	54	54	54	54
Main Campus Visits/ Room	1,156	1,157	1,231	1,185	1,179	1,262
Satellite Visits				6,207	9,248	9959
Satellite Rooms				10	10	10
Satellite Visits Per Room	CONTRACTOR OF STREET			620	924	996
Total Visits	62,451	62,492	66,467	70,198	72,904	78,124
Total Rooms	54	54	54	64	64	64
Total Visits Per Room	1,156	1,157	1,278	1,096	1,139	1,220

16. Section B, Economic Feasibility, Item A.2.

Please clarify how the Lease Expense in the amount of \$6,466,493 was calculated in the Project Cost Chart.

Response:

The calculation is shown below:

Base Rent \$34.09 per square foot 13,750 Square Feet Rent Escalation 2.5% per annum.

Years	Base Rent	Sq Ft		Pay	ment
1	34.09		13750	\$	468,737.50
2	34.94225		13750	\$	480,455.94
3	35.81580625		13750	\$	492,467.34
4	36.71120141		13750	\$	504,779.02
5	37.62898144		13750	\$	517,398.49
6	38.56970598		13750	\$	530,333.46
7	39.53394863		13750	\$	543,591.79
8	40.52229734		13750	\$	557,181.59
9	41.53535478		13750	\$	571,111.13
10	42.57373865		13750	\$	585,388.91
11	43.63808211		13750	\$	600,023.63
12	44.72903416		13750	\$	615,024.22

TOTAL

\$ 6,466,493.01

It is noted on page 26 the equipment value is \$3,393,044 and major equipment items are not part of the project. Please explain why those items are not included in the project costs.

Response:

The equipment value of \$3,393,044 is a typo, the correct value is \$3,213,301.

The equipment listed on page 26 is the equipment over \$50,000 and those items total to \$1,094,968. The remaining equipment costs are hospital stretchers, general equipment and IT.



What type of fixed equipment is included in the \$3,213,301 line item in the Project Cost Chart?

Response:

None of equipment is categorized as fixed. The equipment costing more than \$50,000 is shown below:

Equipment over \$50,000

<u>Name</u>	Est. Cost
Omnicell	\$71,192
Bed Alarm System	\$99,456
X-Ray	\$250,000
Ultrasound	\$50,000
Computerized Tomography	\$500,000
Security Surveillance	\$124,320

The remaining equipment costs are hospital stretchers, IT and general equipment.

The equipment in the original application was inappropriately placed on line A7 of the project cost chart and should be on line A8. A replacement page follows which also reflects a change in the CON filing fee as directed by the HSDA Staff.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

PROJECT COST CHART

		Le	ase Developer
A	Construction and equipment acquired by purchase: 1 Architectural and Engineering Fees	\$	(2)
	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$	40,100.00
	 Acquisition of Site Preparation of Site Total Construction Costs Contingency Fund Fixed Equipment (Not included in Construction 	\$	251,450.00
	Contract) Moveable Equipment (List all equipment over \$50,000 as separate attachments) Other (Specify)	\$	3,213,301.00
B.	Acquisition by gift, donation, or lease: 1 Facility (inclusive of building and land) 2 Building only 3 Land only 4 Equipment (Specify)_ 5 Other (Specify)	\$	6,466,493.00
C.	Financing Costs and Fees: 1 Interim Financing 2 Underwriting Costs 3 Reserve for One Year's Debt Service 4 Other (Specify)		
D,	Estimated Project Cost (A+B+C)	\$	9,971,344.00
Ε,	CON Filing Fee	\$	22,435
Fe	Total Estimated Project Cost (D+E)		
	TOTAL	\$	9,993,779.00



17. Section B, Economic Feasibility, Item A.5.

Please submit a letter from a licensed architect or construction professional that support all the requirements as prescribed in the application.

Response:

The letters from a licensed architect follow.



January 25, 2017

Ms. Melanie Hill Executive Director State of Tennessee Health Services and Development Agency 500 Deaderick Street, Suite 850 Nashville, TN 37243

RE: Baptist Memorial Hospital Free Standing Emergency Department Arlington

A2H Project #17146

Dear Ms. Hill,

This letter will denote that A2H, Inc. has reviewed the site preparation and construction costs indicated for the referenced project as follows:

Sitework

\$ 251,450

Building

\$3,643,750

We find the costs to be reasonable for the described scope of work. The construction costs have considered recent market conditions and inflation. We have also estimated Architectural and Engineering Fees of \$450,000.00 for the project.

Sincerely,

A2H. Inc.

Stewart A. Smith, AIA, EDAC

Senior Architect

SAS/pjs

SUPPLEMENTAL #1

January 30, 2017 3:16 pm



January 25, 2017

Ms. Melanie Hill Executive Director State of Tennessee Health Services and Development Agency 500 Deaderick Street, Suite 850 Nashville, TN 37243

RE: Baptist Memorial Hospital Free Standing Emergency Department Arlington

A2H Project #17146

Dear Ms. Hill,

This letter will affirm that, to the best of our knowledge, the design intended for the construction of the referenced facility will be in accordance with the following codes and standards, as required by Shelby County Office of Construction Code Enforcement and the Tennessee Department of Health Board for Licensing Health Care Facilities-Standards for Hospitals-Chapter 1200-8-1-.08:

Codes (for Building Permit in Shelby County):	Date:
International Building Code (IBC)	2009
IBC Local Amendments	Adopted 2012
National Electric Code	2008
NEC Local Amendments	Adopted 2012
International Mechanical Code	2009
Mech. Code Local Amendments	Adopted 2012
International Plumbing Code	2009
Plumbing Code Local Amendments	Adopted 2012
International Energy Conservation Code	2009
Energy Code Local Amendments	Adopted 2012
Building Codes (for Tennessee Department of Health):	
International Building Code	2006
National Electric Code	2005
International Mechanical Code	2006
International Plumbing Code	2006
NFPA 101	2006
National Electric Code International Mechanical Code International Plumbing Code	2006 2006

SUPPLEMENTAL #1

January 30, 2017 3:16 pm



Accessibility Code (for Building Permit in Shelby County):
ANSI A117.1 (as required by IBC)

Accessibility Codes (for Tennessee Department of Health):

ADAAG

North Carolina Accessibility Code

2010

2002 w/2004 Amendments

Healthcare:

AIA Guidelines

2014

This listing may not be entirely inclusive, but the intent is for all applicable codes and standards, State or Local, to be addressed during the design Process.

Sincerely,

A2H, Inc.

Stewart A. Smith, AIA, EDAC

Senior Architect

SAS/pjs



18. Section B, Economic Feasibility, Item B.

It is noted Baptist Memorial Hospital will contribute 60% of capital cost in the amount of \$2,116,464, and Regional One will contribute 40% of capital cost in the amount of \$1,410,974. Please clarify how the applicant derived a Capital Cost of \$3,527,438. Please also clarify how the remaining cost of the proposed project will be funded by the applicant.

Response:

The Capital Cost is calculated from:

Legal/Admin Fees	\$ 40,100.00		
Acquisition of Site	251,450.00		
Fixed Equipment	3,213,301.00		
CON Filing Fee	22,435.00		
TOTAL	\$3,527,286.00		

The CFO letters were written for a slightly higher amount.

The remaining cost of the proposed project represents the total of annual lease payments over 12 years.

It is noted the project will be funded by cash reserves. However, financial documents from both entities are unaudited. Please provide a letter from the applicant's financial institution designating the amount of cash reserves and the availability of the designated cash reserves for the proposed project.

Letters from financial institutions for BMH and ROH follow this page.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm



January 30, 2017

Joel E. Smith Senior Vice President Commercial Banking

Melanie Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Certificate of Need Application CN1701-005
Baptist Memorial Hospital, Satellite Emergency Department in Arlington

Dear Ms Hill:

This letter confirms (1) Baptist Memorial Hospital maintains one more accounts at First Tennessee Bank, and (2) Baptist Memorial Hospital has available to it cash or other liquid assets in an amount more than sufficient to fund its estimated share of the cost for the project referenced above in the amount of \$2,116,462.

If you have additional questions or would like to discuss further, feel free to contact me at (901) 681-2322.

Sincerely,

(Joel E. Smith

Senior Vice President Commercial Banking

Jul E. Smith

JES/dab

First Tennessee Bank N.A. 4385 Poplar Avenue Memphis, TN 38117 901-681-2322 www.firstrennessec.com





999 S Shady Grove, Suito 202 Memphis, Tennessee 38120 Phone 901 415 7086 Fax 901 681 4169

Jean M. Morton Senior Vice President Manager Institutional & Government Division

January 30, 2017

Mr. Jim Proctor, Controller **Shelby County Healthcare Corporation** 877 Jefferson Avenue Memphis, TN 38103

Dear Mr. Proctor:

Shelby County Health Care Corporation maintains several depository and investment relationships with SunTrust Bank. As of the date of this letter, Shelby County Health Care Corporation has the following deposits and Investments with SunTrust Bank and related entities:

Investments held through **SunTrust Robinson Humphrey** Shelby County Health Care Corporation

\$55,269,839.00

\$ 235,073.49

Thank you for being a SunTrust client.

Sincerely,

Séniør Vice President

cc: Grant Adams, SunTrust Robinson Humphrey

19. Section B. Economic Feasibility Item C and D. (Historical Data Chart and Projected Data Chart)

The non-operating revenue line item in the Historical Data Chart representing \$9,294,916 in 2014, (\$2,015,397) in 2015, and (\$4,997,378) in 2016 is noted. What do these figures represent?

Please provide a Projected Data Chart for Baptist Memorial Hospital.

Response:

The non-operating revenue line is broken out below.

This line was previously part of the financial summary, but was not available on the current CON Application version HF-0004 Revised 12/2016. It was added for clarity.

- Sold favorable buy back clause in contract Healthcare Realty for 2 POBs in 2014. Land Lease revenue for 2015& 2016.
- Baptist Foundation fund/grand reimbursements.
- BMG allocates their profits/losses for some physician practices associated with Hospital care.
- Allocations of gain on sale of investments for Group Asset Fund.
- Annuity Forfeitures and interest & dividend income.

	2014 Actual	2015 Actual	2016 Actual
85100: Nonoperating Revenue	6,578,593	585,186	612,814
85150: Contribution Revenue	265,322	1,029,539	1,567,418
85250: BMG/Hospital Allocation		(4,913,706)	(7,156,142)
85400: Realized Gain/(Loss) on Sale of Secu	2,546,224	1,018,972	
Investment income	(95,223)	264,613	(21,467)
Nonoperating Revenue	9,294,915.78	(2,015,397.09)	(4,997,377.66)

The projected data chart is shown on the following page

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

PROJECTED DATA CHART BMH MEMPHIS

Give information for the last *three* (3) years for which complete data are available for the facility or agency.

The fiscal year begins in Oct

A.	Utilization Data (Discharges)		Year 2019 26,288		Year 2020 26,964
р	Dougney from Continue to Dutlente				
m.	Revenue from Services to Patients 1. Inpatient Services	œ	1,535,323,835	\$	1,574,805,587
	2. Outpatient Services	\$	794,897,460	\$	799,640,514
	Emergency Services	\$	161,010,298	\$	167,216,926
	Other Operating Revenue (Specify) <u>cafeteria</u> ,	Ψ	101,010,200	Ψ.	107,210,020
	gift shop, etc.	\$	13,352,748.00	\$	13,352,748.00
	Gross Operating Revenue	_	2,504,584,341	\$	2,555,015,775
C.	Deductions from Gross Operating Revenue		(1.616.166.676)		*** *** *** ****
	1. Contractual Adjustments	\$	(1,810,128,876)	\$	(1,846,772,355)
	2. Provision for Charity Care	\$	(79,719,411)		(81,333,217)
	3. Provisions for Bad Debt	\$	(72,245,716)		(73,708,228)
	Total Deductions		(1,962,094,003)		(2,001,813,800)
NE	T OPERATING REVENUE	\$	542,490,338	\$	553,201,975
	Otine Function				
D.	Operating Expenses	Φ.	200 070 070	•	000 000 040
	Salaries and Wages a. Direct Patient Care	\$	200,873,372	D	206,038,948
				_	
	b. Non-Patient Care				
	Physician's Salaries and Wages Supplies	Ф.	157 100 016	\$	161,148,141
	3. Supplies 4. Rent	\$	157,108,016	Ф	101,140,141
	a. Paid to Affiliates	œ	663 640	\$	676 001
	b. Paid to Annates b. Paid to Non-Affiliates	\$	663,549 1,074,579	\$	676,081
	5. Management Fees:	φ	1,074,578	Ψ	1,098,177
	a. Paid to Affiliates	c	50.067.107	\$	51,068,449
	b. Paid to Non-Affiliates	\$	50,067,107	Φ	31,000,448
	6. Other Operating Expenses	\$	80,053,748	\$	81,451,378
	Total Operating Expenses		489,840,371	\$	501,481,174
	Total Operating Expenses	Ф	403,040,371	Φ	301,401,174
E	Earnings Before Interest, Taxes and Depreciation	\$	ED 640 069	\$	£1 700 901
	Non-Operating Expenses	Ф	52,649,968	Φ	51,720,801
١.	1. Taxes	œ	1,387,028	\$	1,387,028
	2. Depreciation	\$	21,784,394	\$	21,784,394
	3. Interest	Φ	21,704,334	φ	21,704,334
	Other Non-Operating Expenses	\$	44,092	\$	44,092
	Total Non-Operating Expenses		23,215,514	\$	23,215,514
	Total Holl-operating Expenses	Ψ	20,210,014	Ψ	20,210,017
	Non-Operating Revenue	\$	(5,062,196)	\$	(5,062,196)
N	ET INCOME (LOSS)	\$	24,372,257	\$	23,443,090

G. Other Deductions

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

Annual Principal Debt Repayment	\$ 5,075,000	\$
2. Annual Capital Expenditure	\$ 299,391	\$ 299,391
Total Other Deductions	\$ 5,374,391	\$ 299,391
NET BALANCE	\$ 18,997,866	\$ 23,143,699
DEPRECIATION	\$ 20,427,449	\$ 20,427,449
FREE CASH FLOW (Net Balance + Depreciation)	\$ 39,425,316	\$ 43,571,148

PROJECTED DATA CHART-OTHER EXPENSES - BMH MEMPHIS

THER EXPENSES CATEGORIES		Year 2019	Year 2020
1 Purchased Svcs	\$	12,796,644 \$	13,180,543
2 Insurance Expense	\$	5,851,164 \$	5,851,164
3 Utilities	\$	5,742,335 \$	5,799,758
4 Repairs & Maintenance	\$	10,608,355 \$	10,926,606
5 Loss on Asset Impairment	_		
6 Professional Fees	\$	31,902,867 \$	32,540,925
7 Medicaid Assessment	\$	9,967,320 \$	9,967,320
8 Misc	\$	3,185,063 \$	3,185,063
Total Other Expenses	\$	80,053,748 \$	81,451,378



20. Section B. Economic Feasibility Item F.1 and F.3.

For both funding entities please provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable.

For BMH (60%) and Regional One Health (ROH) (40%) that is funding the proposed project, please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet.

Response:

Following this sheet are the audited financial statements for Shelby County Health Care Corporation.

As explained in previous CON applications, Baptist Memorial Hospital does not receive a separate audit. It is part of the consolidated financials that are audited. The 2015 financials application represent presented in the CON are statements for BMH that were included in the consolidated audited financials ending September 30, 2015 referenced in the Deloitte follows. December 15, 2016 letter from which Therefore, the audited 2015 financial statements that are available for BMH are already provided.

For BMH (60%) and Regional One Health (ROH) (40%) that is funding the proposed project, please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet.

Response:

Baptist Memorial Health Care Corporation does not have long term debt, therefore, the ratio cannot be calculated.

Regional One Capitalization Ratio is shown on the following page.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

ROH Audited Financials



SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

Basic Financial Statements and Schedules

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

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KPMG LLP Triad Centre Id Suite 450 6070 Poplar Avenue Memphis, TN 38119-3901

Independent Auditors' Report

The Board of Directors
Shelby County Health Care Corporation:

We have audited the accompanying statements of net position and statements of revenues, expenses, and changes in net position and cash flows of Shelby County Health Care Corporation, a component unit of Shelby County, Tennessee (d/b/a Regional One Health) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of Shelby County Health Care Corporation as of June 30, 2016 and 2015, and the respective changes in net position and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

REMARK

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Shelby County Health Care Corporation's basic financial statements. The supplementary information included in schedules 1, 2, 3, 4, 5, 6, and 7 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2016, on our consideration of Shelby County Health Care Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shelby County Health Care Corporation's internal control over financial reporting and compliance.

KPMG LLP

Memphis, Tennessee November 11, 2016

SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

Statements of Net Position

June 30, 2016 and 2015

Assets	2016	2015
Assets: Cash and cash equivalents Investments	\$ 16,710,050 111,841,180	9,764,159 109,959,639
Patient accounts receivable, net of allowances for uncollectible accounts of \$130,031,000 in 2016 and \$169,265,000 in 2015 Other receivables Other current assets	64,422,437 13,811,415 7,282,171	68,627,756 10,968,415 7,035,719
Total current assets	214,067,253	206,355,688
Restricted cash Restricted investments Equity investments Notes receivable Capital assets, net	437,060 6,062,721 12,980,671 19,221,600 90,988,913	514,785 6,901,313 10,999,876 19,221,600 96,007,465
Total assets	\$ 343,758,218	340,000,727
Liabilities and Net Position		
Liabilities:		
Accounts payable Accrued expenses and other current liabilities	\$ 14,452,736 44,527,850	14,092,765 38,317,676
Total current liabilities	58,980,586	52,410,441
Accrued professional and general liability costs Obligation under reverse repurchase agreement Net postemployment benefit obligation Notes payable	2,426,000 11,893,738 960,000 26,550,000	4,530,000 750,000 26,550,000
Total liabilities	100,810,324	84,240,441
Net position: Net investment in capital assets Restricted for:	64,438,913	69,457,465
Capital assets Indigent care Notes payable Unrestricted	1,896,509 702,167 437,060 175,473,245	2,855,282 834,684 514,785 182,098,070
Total net position	242,947,894	255,760,286
Total liabilities and net position	\$ 343,758,218	340,000,727

See accompanying notes to basic financial statements.

SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2016 and 2015

	2016	2015
Operating revenues: Net patient service revenue (including additional incremental reimbursement from various state agencies for participation		¥
\$74,008,000 in 2016 and \$67,387,000 in 2015) Other revenue	\$ 362,356,166 33,331,773	347,134,962 26,239,916
Total operating revenues	395,687,939	373,374,878
Operating expenses: Salaries and benefits Supplies and services Physician and professional fees Purchased medical services Plant operations Insurance Administrative and general Community services Depreciation	191,513,277 93,353,541 26,080,862 56,015,982 14,630,265 422,542 38,928,298 933,161 18,571,929	179,221,725 84,128,275 25,475,185 44,448,420 13,783,854 2,843,248 34,746,038 757,581 18,204,987
Total operating expenses	440,449,857	403,609,313
Operating loss	(44,761,918)	(30,234,435)
Nonoperating revenues (expenses): Interest expense Investment income Appropriations from Shelby County Other	(397,898) 3,066,749 27,408,000 1,872,675	(347,791) 3,578,035 26,816,000 8,730,159
Total nonoperating revenues, net	31,949,526	38,776,403
Increase (decrease) in net position	(12,812,392)	8,541,968
Net position, beginning of year	255,760,286	247,218,318
Net position, end of year	\$ 242,947,894	255,760,286

See accompanying notes to basic financial statements.

SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Cash flows from operating activities: Receipts from and on behalf of patients and third-party payors Other cash receipts Payments to suppliers Payments to employees and related benefits	\$	367,284,642 33,212,527 (232,319,636) (186,503,501)	335,009,290 25,607,911 (208,312,598) (180,016,276)
Net cash used in operating activities	04	(18,325,968)	(27,711,673)
Cash flows from noncapital financing activity: Appropriations received from Shelby County		25,328,013	26,816,000
Net cash provided by noncapital financing activity	2.5	25,328,013	26,816,000
Cash flows from capital and related financing activities: Capital expenditures Proceeds from pledges Proceeds from sale of capital assets Interest payments		(13,661,497) — — — — — — (389,920)	(11,893,966) 22,169 31,398 (351,916)
Net cash used in capital and related financing activities		(14,051,417)	(12,192,315)
Cash flows from investing activities: Purchases of investments Proceeds from sale of investments Investment in equity investees Investment income proceeds		(300,665,214) 312,242,913 — 2,339,839	(238,329,755) 249,085,424 (1,300,000) 3,345,720
Net cash provided by investing activities		13,917,538	12,801,389
Net increase (decrease) in cash and cash equivalents		6,868,166	(286,599)
Cash and cash equivalents, beginning of year	-	10,278,944	10,565,543
Cash and cash equivalents, end of year	\$ _	17,147,110	10,278,944

SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	::-	2016	2015
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$	(44,761,918)	(30,234,435)
operating activities:			
Depreciation		18,571,929	18,204,987
Changes in operating assets and liabilities:		4 00 5 0 1 0	(20.22.22.20)
Patients accounts receivable, net		4,205,319	(20,725,209) 937,865
Other receivables		(763,013) (246,452)	(786,317)
Other current assets Accounts payable		359,971	6,069,016
Accrued expenses and other current liabilities		6,202,196	(855,580)
Accrued professional and general liability costs		(2,104,000)	(322,000)
Net postemployment benefit obligation	72	210,000	
Net cash used in operating activities	\$ =	(18,325,968)	(27,711,673)
Reconciliation of cash and cash equivalents to the statements of net position:			
Cash and cash equivalents in current assets Cash and cash equivalents held for payment of outstanding	\$	16,710,050	9,764,159
debt fees		437,060	514,785
Total cash and cash equivalents	\$_	17,147,110	10,278,944
Supplemental schedule of noncash investing and financing activities: Net decrease in the fair value of investments Equity in net income of equity investees (Loss) gain on capital asset disposals	\$	(619,180) 1,980,795 (108,121)	(347,515) 8,707,269 721

See accompanying notes to basic financial statements.

SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

Notes to Basic Financial Statements

June 30, 2016 and 2015

(1) Organization and Summary of Significant Accounting Policies

Shelby County Health Care Corporation (d/b/a Regional One Health) was incorporated on June 15, 1981, with the approval of the Board of County Commissioners of Shelby County, Tennessee (the County). Regional One Health is a broad continuum healthcare provider that operates facilities owned by the County under a long-term lease. The lease arrangement effectively provided for the transfer of title associated with operating fixed assets and the long-term lease (for a nominal amount) of related real property. The lease expires in 2063.

Regional One Health is a component unit of the County as defined by Governmental Accounting Standards Board (GASB) Statement No. 61, The Financial Reporting Entity: Omnibus — an amendment of GASB Statement No. 14 and No. 34. Regional One Health's component unit relationship to the County is principally due to financial accountability and financial benefit or burden as defined in GASB Statement No. 61. Regional One Health is operated by a 15-member board of directors, all of whom are appointed by the Mayor of the County and approved by the County Commission.

Regional One Health Foundation is a component unit of Regional One Health principally due to Regional One Health's financial accountability and financial benefit or burden for Regional One Health Foundation as defined in GASB Statement No. 61. Regional One Health Foundation is operated by a board of directors, all of whom are appointed by Regional One Health's board. Regional One Health Foundation is a blended component unit of Regional One Health because it provides services entirely to Regional One Health. Regional One Health Foundation issues separate audited financial statements, which can be obtained by writing to Regional Medical Center Foundation, 877 Jefferson Avenue, Memphis, Tennessee 38103 or by calling 901-545-7482.

GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, requires a management's discussion and analysis (MD&A) section providing an analysis of Regional One Health's overall financial position and results of operations; however, Regional One Health has chosen to omit the MD&A from these accompanying financial statements.

The significant accounting policies used by Regional One Health in preparing and presenting its financial statements follow:

(a) Presentation

The financial statements include the accounts of Regional One Health and its wholly owned subsidiaries. Such subsidiaries include Regional One Properties, Inc., Regional Med Extended Care Hospital, LLC, and Shelby County Health Care Properties, Inc. All material intercompany accounts and transactions have been eliminated.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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Significant items subject to estimates and assumptions include the determination of the allowances for contractual adjustments and uncollectible accounts, reserves for professional and general liability claims, reserves for employee healthcare claims, net postretirement benefit cost and obligation, and estimated third-party payor settlements.

In addition, laws and regulations governing Medicare, TennCare, and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

(c) Enterprise Fund Accounting

Regional One Health's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting.

(d) Cash Equivalents

Regional One Health considers investments in highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(e) Investments and Investment Income

Investments are carried at fair value, principally based on quoted market prices. Investment income (including realized and unrealized gains and losses) from investments is reported as nonoperating revenue.

(f) Inventories

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or replacement market.

(g) Equity Investments

Equity investments consist of Regional One Health's equity interests in investments as measured by its ownership interest if Regional One Health has an ongoing financial interest in or ongoing financial responsibility for the equity investee. The investments are initially recorded at cost and are subsequently adjusted for additional contributions, distributions, undistributed earnings and losses, and impairment losses.

(h) Capital Assets

Capital assets are recorded at cost, if purchased, or at fair value at the date of donation. Depreciation is provided over the useful life of each class of depreciable asset using the straight-line method. Maintenance and repairs are charged to operations. Major renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the gain or loss, if any, is included in nonoperating revenues (expenses) in the accompanying statements of revenues, expenses, and changes in net position.



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Regional One Health capitalizes interest cost on qualified construction expenditures, net of income earned on related trusteed assets, as a component of the cost of related projects. No such interest costs were capitalized in 2016 or 2015.

All capital assets other than land are depreciated using the following lives:

Land improvements	5 to 25 years
Buildings and improvements	10 to 40 years
Fixed equipment	5 to 25 years
Movable equipment	3 to 20 years
Software	3 years

(i) Impairment of Capital Assets

Capital assets are reviewed for impairment when service utility has declined significantly. If such assets are no longer used, they are reported at the lower of carrying value or fair value. If such assets will continue to be used, the impairment loss is measured using the method that best reflects the diminished service utility of the capital asset. No charge related to impairment matters was required during 2016 or 2015.

(j) Compensated Absences

Regional One Health's employees accumulate vacation, holiday, and sick leave at varying rates depending upon years of continuous service and payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation and holiday time at regular rate of pay up to a designated maximum number of days. Since the employees' vacation and holiday time accumulates and vests, an accrual for this liability is included in accrued expenses and other current liabilities in the accompanying statements of net position. An accrual is recognized for unused sick leave expected to be paid to employees eligible to retire.

(k) Net Position

Net position of Regional One Health is classified into the following components:

- Net investment in capital assets consists of capital assets net of accumulated depreciation, net
 of the related debt.
- Restricted includes those amounts with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws and regulations of other governments).
- Unrestricted represents remaining amounts that do not meet either of the above definitions.

When Regional One Health has both restricted and unrestricted resources available to finance a particular program, it is Regional One Health's policy to use restricted resources before unrestricted resources.

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Regional One Health Foundation historically and to-date does not maintain donor-restricted endowment funds, or any Board-designated endowments. Regional One Health Foundation's Board has interpreted Tennessee's State Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. In all material respects, income from Regional One Health Foundation's donor-restricted endowment funds is itself restricted to specific donor-directed purposes, and is, therefore, accounted for within restricted amounts until expended in accordance with the donor's wishes. Regional One Health Foundation oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

(1) Statement of Revenues, Expenses, and Changes in Net Position

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services, other than financing costs, are reported as operating revenues and operating expenses. Other transactions, such as investment income, interest expense, appropriations from Shelby County, gain (loss) on disposal of capital assets, and equity in earnings are reported as nonoperating revenues and expenses.

(m) Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Changes in estimates related to prior cost reporting periods resulted in an increase in net patient service revenue of approximately \$1,332,000 and \$587,000 in 2016 and 2015, respectively.

(n) Charity Care

Regional One Health provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Regional One Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

When defining charity care, Regional One Health employs the Federal Poverty Guideline (FPG) to determine the level of discount uninsured patients receive. The level by which assistance is determined is through the scale set by the Department of Health and Human Services, which includes factors such as residents per household and income. Regional One Health's methodology includes all patients that fall at or below the 150% FPG baseline. Regional One Health does not have a cap to which patients will not qualify for a discount. Additionally, Regional One Health's charity care guidelines provide for an expansive definition of charity care patients, including an upfront discount from standard charges for uninsured patients.

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(o) Income Taxes

Regional One Health is a not-for-profit corporation organized by the approval of the Board of County Commissioners of the County and qualifies as a tax-exempt entity under Internal Revenue Code (IRC) Section 501(a) as organizations described in IRC Section 501(c)(3), and therefore, related income is generally not subject to federal or state income taxes, except for tax on income from activities unrelated to its exempt purpose as described in IRC Section 512(a). Thus, no provision for income taxes has been recorded in the accompanying financial statements.

(p) Appropriations

The County has historically appropriated funds annually to Regional One Health to partially offset the cost of medical care for indigent residents of the County. Appropriations for indigent residents from the County were \$27,408,000 and \$26,816,000 for the years ended June 30, 2016 and 2015, respectively. Appropriations from the County are reported as nonoperating revenue in the accompanying statements of revenues, expenses, and changes in net position.

(q) Recent Accounting Pronouncements

In February 2015, the GASB issued Standard 72: Fair Value Measurement and Application, which addresses the accounting and financial reporting issues related to fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants. GASB 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. Additional disclosures are required regarding investments that are valued by net asset per share. This standard is effective for the financial statements for periods beginning after June 15, 2015 (the Regional One Health 2016 fiscal year). Regional One Health adopted this standard on July 1, 2015. There is no effect on the financial statements related to the adoption of this standard, but additional disclosures are included in note 2 to the financial statements.

(r) Subsequent Events

Regional One Health has evaluated subsequent events through November 11, 2016, the date at which the financial statements were issued, and determined that there are no subsequent events to be recognized in the financial statements and related notes.

(s) Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

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(2) Deposits, Investments and Reverse Repurchase Agreement

(a) Deposits and Investments

The composition of cash and cash equivalents follows:

	-	2016	2015
Cash Money market funds	\$	16,690,503 19,547	9,744,655 19,504
	\$	16,710,050	9,764,159

Investments and restricted investments include amounts held by both Regional One Health and Regional One Health Foundation.

The composition of investments and restricted investments follows:

	2016	2015
U.S. agencies	\$ 50,601,257	64,108,405
Certificates of deposit	8,246,030	896,146
Corporate bonds	49,200,185	36,228,983
Demand deposit accounts and money market funds	3,147,369	6,385,686
U.S. government funds	356,578	-
Common stock	5,723,146	8,720,123
Accrued interest	629,336	521,609
	\$ 117,903,901	116,860,952

The fair value hierarchy of investments follows:

	2016				
_	Level 1	Level 2	Level 3	Total	
U.S. agencies \$		50,601,257	Vis animov	50,601,257	
Certificates of deposit		8,246,030		8,246,030	
Corporate bonds	na-ganine	49,200,185		49,200,185	
Demand deposit accounts and					
money market funds	-	3,147,369	····	3,147,369	
U.S. government funds	_	356,578		356,578	
Common stock	5,723,146	_	Wy-man AAA	5,723,146	
Accrued interest	629,336			629,336	
\$	6,352,482	111,551,419		117,903,901	

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	2015				
10	Level 1	Level 2	Level 3	Total	
U.S. agencies \$		64,108,405	-	64,108,405	
Certificates of deposit	-	896,146	*****	896,146	
Corporate bonds	-	36,228,983	_	36,228,983	
Demand deposit accounts and					
money market funds	(400.00)	6,385,686		6,385,686	
U.S. government funds			-		
Common stock	8,720,123		-	8,720,123	
Accrued interest	521,609			521,609	
\$	9,241,732	107,619,220		116,860,952	

At June 30, 2016, Regional One Health and Regional One Health Foundation had investments in debt securities with the following maturities:

	1	Fair value	Less than 6 months	6 months to 1 year	1-5 years	Over 5 years
U.S. agencies Corporate bonds		50,601,257 49,200,185	3,378,292	6,376,187	27,768,700 34,405,251	22,832,557 5,040,455
	\$	99,801,442	3,378,292	6,376,187	62,173,951	27,873,012

At June 30, 2015, Regional One Health and Regional One Health Foundation had investments in debt securities with the following maturities:

		Investment and restricted investment maturi			
	Fair value	Less than 6 months	6 months to 1 year	1–5 years	5+ years
U.S. agencies Corporate bonds	\$ 64,108,405 36,228,983	7,005,393 564,746	9,655,516 2,669,948	30,139,605 29,654,286	17,307,891 3,340,003
	\$_100,337,388_	7,570,139	12.325,464	59,793,891	20,647,894

There were no investments that represented 5% or more of total investments for Regional One Health as of June 30, 2016 and 2015. At June 30, 2016, Regional One Health Foundation had one investment totaling \$356,578 in the SEI Daily Income Trust Government Fund that represented 5% or more of total investments for Regional One Health Foundation. At June 30, 2015, Regional One Health Foundation had one investment totaling \$512,878 in the SEI Daily Income Trust Government Fund that represented 5% or more of total investments for Regional One Health Foundation.

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Regional One Health and Regional One Health Foundation have separate investment policies that are included below. The summary of investments throughout the financial statements includes the combined investment totals of Regional One Health and Regional One Health Foundation.

At June 30, 2016, Regional One Health's and Regional One Health Foundation's corporate bonds, collectively, had the following credit ratings per Standard and Poor's:

Fair value	Credit rating
\$ 6,678,364	BBB-
6,559,437	BBB
17,069,371	BBB+
472,500	BB
5,418,430	A-
9,487,056	A
921,745	A+
2,389,373	AA-
(manus)	AA+
 203,909	
\$ 49,200,185	

At June 30, 2015, Regional One Health's and Regional One Health Foundation's corporate bonds, collectively, had the following credit ratings per Standard and Poor's:

 Fair value	Credit rating
\$ 4,784,327	BBB-
6,717,033	BBB
6,345,414	BBB+
7,610,862	A-
8,436,865	Α
895,896	A+
1,159,164	AA-
 279,422	AA+
\$ 36,228,983	

As of June 30, 2016, Regional One Health's investment strategy, per its investment policy, is to provide liquidity to fund ongoing operating needs and to act as a repository for both the accumulation

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of cash reserves needed to cushion economic down cycles and to provide cash earmarked for strategic needs.

The portfolio objectives of Regional One Health, listed in order of importance, are as follows:

- 1. Preserve principal
- 2. Maintain sufficient liquidity to meet future cash needs
- 3. Maintain a diversified portfolio to minimize risk
- 4. Maximize return subject to the above criteria

The duration of the bond investment portfolio should not exceed six years.

The authorized investments are as follows:

- 1. Commercial Paper Any commercial paper issued by a domestic corporation with a maturity of 270 or less days that carries at least the second highest rating by a recognized investor service, preferably Standard and Poor's and Moody's Investors Service. Commercial paper shall not represent more than 50% of the portfolio.
- 2. U.S. Treasury Securities U.S. Treasury notes, bills, and bonds. There is no upper limit restriction as to the maximum dollar amount or percentage of the portfolio that may be invested in U.S. Treasury securities.
- 3. Bank Obligations Any certificate of deposit, time deposit, Eurodollar CD issued by a foreign branch of a U.S. bank, bankers' acceptance, bank note, or letter of credit issued by a (U.S.) bank possessing at least the second highest rating by a recognized investor services, preferably Standard and Poor's and Moody's Investors Service. Bank obligations (excluding repurchase agreements, commercial paper, and investments held by money market and mutual funds) may not represent more than 30% of the portfolio. In addition, brokered CDs may be purchased from institutions, irrespective of the institutions' debt ratings, so long as the obligations are fully backed by the FDIC.
- 4. Repurchase Agreements Any Repurchase Agreement purchased from one of the top 25 U.S. banks or one of the primary dealers regulated by the Federal Reserve that is at least 102% collateralized by U.S. government obligations. Repurchase Agreements may not represent more than 20% of the portfolio.
- 5. Money Market Funds Any open-end money market fund regulated by the U.S. government under Investment Company Act Rule 2a-7. Any investment fund regulated by a Registered Investment Advisor under Rule 3c-7. Such fund investment guidelines must state that "the fund will seek to maintain a \$1 per share net asset value." Regional One Health's investment in any one fund may not exceed 30% of the assets of the fund into which it is invested.

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- United States Government Obligations Any obligation issued or backed (federal agencies) by the U.S. government. No more than 25% may be invested in obligations of any one federal agency.
- 7. Corporate Bonds Obligations of United States and foreign corporations (including trusts and municipalities of the United States) that carry at least the fourth highest rating by a recognized rating service, preferably Standard and Poor's or Moody's Investors Service. Corporate bonds, held directly and initially qualifying in one of the above categories, which have been downgraded below the third highest rating, may be sold at the discretion of management. Corporate bonds may not represent more than 40% of the portfolio, foreign corporate bonds may not represent more than 20% of the portfolio.
- 8. Bond Mutual Funds Any publicly available investment registered under the Investment Company Act of 1940 as an open-end mutual fund that is managing a portfolio or debt obligations. Each mutual fund should have a minimum of \$2 billion invested and hold at least 100 different debt obligations. Bond mutual funds can only hold the Authorized Investments meeting all the criteria described above. Additionally, bond mutual funds can hold corporate bonds in the fifth and sixth highest ratings category as long as such holdings do not exceed 10% of the portfolio. Corporate bonds, held via bond mutual funds and initially qualifying in one of the above categories, which have been downgraded below the sixth highest rating, may not exceed 2% of the portfolio.
- 9. Equity Mutual Funds Any publicly available investment registered under the Investment Company Act of 1940 as an open-end mutual fund that is managing a portfolio of equity securities. Each mutual fund should have a minimum of \$2 billion invested and hold at least 100 different equity securities. Such holdings should not represent more than 20% of the portfolio, Equity Mutual Funds can hold equity securities (including common and preferred stocks) of the 1,000 largest corporations in terms of market capitalization and inclusion in the Russell 1000 Index (representing large cap stocks) that are traded on U.S. exchanges reported in the Wall Street Journal.
- 10. Debt Buy Back Any debt obligation backed directly by Regional One Health may be purchased so long as it is purchased at a discount.
- 11. Notwithstanding the above criteria, direct investments other than mutual funds that meet the following criteria are not permitted: corporations with more than 25% of revenues derived from the manufacture and sale of firearms, ammunition, and ammunition magazines to the general citizenry.

The Finance Committee of the Board of Directors meets periodically to review asset allocation, portfolio performance, and overall adherence to the investment policy guidelines.

As of June 30, 2016 and 2015, Regional One Health Foundation utilized one investment manager. This manager is required to make investments in adherence to Regional One Health Foundation's current investment policy and objectives.

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Regional One Health Foundation follows an investment strategy focused on maximizing total return (i.e., aggregate return from capital appreciation and dividend and interest income) while adhering to certain restrictions designed to promote a conservative portfolio.

Specifically, the primary objective of Regional One Health Foundation's investment management strategy is to maintain an investment portfolio designed to generate a high level of current income with above-average stability.

Guidelines for investments and cash equivalents for Regional One Health Foundation follow:

- Regional One Health Foundation's assets may be invested only in investment grade bonds rated Baa or higher as determined by Moody's Investors Service, or the equivalent by another acceptable rating agency.
- 2. The overall market-weighted quality rating of the bond portfolio shall be no lower than A.
- 3. Regional One Health Foundation's assets may be invested only in commercial paper rated P-2 (or equivalent) or higher by Moody's Investors Service or by another acceptable rating agency.
- 4. The market-weighted maturity of the base portfolio shall be no longer than 10 years.
- 5. Quality of the equity securities will be governed by the Federal Employee Retirement and Income Security Act, the Tennessee guidelines for investing trust funds and the "prudent man rule."
- 6. Conservative option strategies may be used, with a goal of increasing the stability of the portfolio.

Regional One Health Foundation limits investments in common stock to 40% of its investment portfolio. The remainder of the portfolio is to be invested in fixed-income investments.

Investment income comprises the following:

	-	2016	2015
Dividend and interest income	\$	3,685,929	3,925,550
Net decrease in fair value of investments	-	(619,180)	(347,515)
	\$_	3,066,749	3,578,035

(b) Reverse Repurchase Agreement

In November 2013, Regional One Health entered into a Master Repurchase Agreement with a financial institution which allows Regional One Health to enter into transactions using reverse repurchase agreements, whereas Regional One Health in exchange for a predetermined amount cash, sells or pledges (i.e., reverse repurchases) its own investments (with a market value approximately 5% higher than the predetermined amount) and agrees to repurchase the investments at a future date or on demand for the same predetermined amount of cash plus interest for the period between the two transaction

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

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dates. Also, Regional One Health is entitled to any maturity or interest payments received on the investments subject to the reverse repurchase agreement (prior to repurchase) and occasionally Regional One Health's investments are substituted, especially when they are redeemed by the issuer.

Regional One Health uses these agreements as a cash management strategy primarily related to the \$50,000,000 cash influx received in July each year, from the County and State appropriations, that is used by operations over the remainder of the fiscal year. Therefore, it allows Regional One Health to invest this excess working capital cash for longer periods of time at rates higher than the interest charged under the reverse repurchase agreements. Consequently, the outstanding amount of repurchase obligations can be as high as \$50,000,000 during any given fiscal year and should be zero shortly following the \$50,000,000 cash influx in July.

These transactions are formally approved within the investment policy of Regional One Health and the Master Repurchase Agreement, which stays in effect with the financial institution, until either party terminates. There were no violations of the Master Repurchase Agreement or the Regional One Health investment policy during the years ended June 30, 2016 and 2015.

During the fiscal year ended June 30, 2016, the outstanding balance of reverse repurchase agreement obligations ranged between zero and approximately \$45,000,000, and was \$11,893,738 at June 30, 2016, which is reported as a liability obligation under reverse repurchase agreements on the statement of net position. During the fiscal year ended June 30, 2015, the outstanding balance of reverse repurchase agreement obligations ranged between zero and approximately \$40,000,000, and there was no outstanding obligations at June 30, 2015. Interest expense related to the reverse repurchase agreements was \$132,000 and \$82,000 for the years ended June 30, 2016 and 2015, respectively, and is reported within interest expense on the statements of revenues, expenses and changes in net position. In July 2016, Regional One Health repurchased the outstanding reverse repurchase agreement obligations of \$11,893,738 as of June 30, 2016.

(3) Business and Credit Concentrations

Regional One Health grants credit to patients, substantially all of whom are local area residents. Regional One Health generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, and commercial insurance policies).

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The mix of receivables from patients and third-party payors follows, before application of related valuation allowances:

	_	2016	2015
Patients		32%	33%
Commercial insurance		30	29
Medicare		21	19
Medicaid/TennCare	_	17	19
	=	100%	100%
Other Receivables			
The composition of other receivables follows:			
		2016	2015
Accounts receivable from University of Tennessee			
Center for Health Services	\$	1,497,523	1,741,599
Accounts receivable from the County		2,234,667	154,680
Accounts receivable from the State of Tennessee		4,435,272	3,547,429
Grants receivable		343,803	1,025,254
Accounts receivable from UT Regional One Physicians		1,648,543	1,295,526
Other	<u>-</u>	3,651,607	3,203,927
	\$	13,811,415	10,968,415

(5) Other Current Assets

(4)

The composition of other current assets follows:

	 2016	2015
Inventories Prepaid expenses	\$ 3,383,077 3,899,094	3,280,696 3,755,023
	\$ 7,282,171	7,035,719

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(6) Capital Assets

Capital assets and related activity consist of the following:

	Bulances at June 30, 2015	Additions	Retirements	Transfers	Bulances at June 30, 2016
Capital assets not being depreciated:					
Construction in progress	\$ 2,871,413	7,643,499		(9,449,804)	1,065,108
Land	4.313,278				4,313,278
Total book value of					
capital assets not					
being depreciated	7,184,691	7,643,499		(9,449,804)	5,378,386
Capital assets being depreciated:					
Land improvements	7,390,983		-	63,149	7,454,132
Buildings	66,758,749	100	-	-	66,758,749
Fixed equipment	141,514,569	1,417,446	-	3,895,583	146,827,598
Movable equipment	155,015,751	3,631,073	(minute)	2,859,061	161,505,885
Software	36,230,377	969,479	(129,744)	2,632,011	39,702,123
Total book value of					
capital assets being					
depreciated	406,910,429	6,017,998	(129,744)	9,449,804	422,248,487
Less accumulated depreciation for:					
Land improvements	(5,961,366)	(186,154)	-	_	(6,147,520)
Buildings	(58,019,940)	(693,881)	-	-	(58,713,821)
Fixed equipment	(102,415,516)	(5,076,784)	1-1		(107,492,300)
Movable equipment	(128,303,012)	(8,446,819)	-		(136,749,831)
Software	(23,387,821)	(4,168,291)	21,624		(27,534,488)
Total accumulated					
depreciation	(318,087,655)	(18,571,929)	21,624		(336,637,960)
Capital assets being					
depreciated, net	88,822,774	(12,553,931)	(108,120)	9,449,804	85,610.527
Capital assets, net	\$96,007,465	(4,910,432)	(108,120)		90,988,913

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	Balances at June 30, 2014	Additions	Retirements	Transfers	Balances at June 30, 2015
Capital assets not being depreciated: Construction in progress Land	\$ 1,585,034 5,835,326	5,039,260		(3,752,881) (1, 522,048)	2,871,413 4,313,278
Total book value of capital assets not being depreciated	7,420,360	5,039,260		(5.274,929)	7,184,691
Capital assets being depreciated: Land improvements Buildings Fixed equipment Movable equipment Software	7,269,474 65,236,701 138,900,279 150,758,409 32,839,280	1,801,265 4,084,035 847,897	(223,349)	1,522,048 813,025 396,656 2,543,200	7,390,983 66,758,749 141,514,569 155,015,751 36,230,377
Total book value of capital assets being depreciated	395,004,143	6,854,706	(223,349)	5,274,929	406,910,429
Less accumulated depreciation for: Land improvements Buildings Fixed equipment Movable equipment Software	(5,786,325) (57,310,792) (97,386,461) (119,918,449) (19,673,313)	(175,041) (709,148) (5,029,055) (8,577,235) (3,714,508)	192,672		(5,961,366) (58,019,940) (102,415,516) (128,303,012) (23,387,821)
Total accumulated depreciation	(300,075,340)	(18,204,987)	192,672	-	(318,087,655)
Capital assets being depreciated, net	94,928,803	(11,350,281)	(30,677)	5,274,929	88,822,774
Capital assets, net	\$ 102,349,163	(6,311,021)	(30,677)		96,007,465

(7) Equity Investments

The composition of equity method investments follows:

	_	2016	2015
Investment in Memphis Medical Center Air Ambulance Service, Inc. (MMCAAS) Regional One RH MOB 1 SPE, LLC Investment in Central Billing Office	\$	10,614,448 1,066,223 1,300,000	8,586,001 1,113,875 1,300,000
	\$_	12,980,671	10,999,876

MMCAAS is a nonmember not-for-profit corporation organized to operate an air ambulance service for the transportation of medical supplies, equipment, and injured or sick persons. MMCAAS was organized by

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Regional One Health and two other local healthcare systems. Regional One Health appoints one-third of the board members of MMCAAS and is entitled to one-third of the net assets of MMCAAS in the event of dissolution. MMCAAS maintains separate financial statements, which can be obtained by writing to Hospital Wing, 1080 Eastmoreland Avenue, Memphis, Tennessee 38104 or by calling 901-522-5321.

Regional One Properties, Inc., a wholly owned subsidiary of Shelby County Health Care Corporation, is a 50% owner in Regional One RH MOB 1 SPE, LLC. This joint venture with a local developer and other various owners was to purchase an office building in Memphis, Tennessee with intentions of converting this building into medical space and offices. RH MOB 1 SPE, LLC maintains separate financial statements, which can be obtained by writing to 6555 Quince, 3330 Preston Ridge Road, Suite 380, Alpharetta, Georgia 30005 or by calling 404-255-6358 extension 229.

The Central Billing Office (CBO) was formed by Regional One Health and two other local healthcare entities, with Regional One Health being a one-third owner and appointing one-third of the board members. The CBO performs billing and collection services for its three members, including billing for University of Tennessee Regional One Physicians (UTROP) services for Regional One Health. The CBO maintains separate financial statements, which can be obtained by writing to the Partners Central Billing Office, 1407 Union Avenue, Suite 200, Memphis, Tennessee 38104 or by calling 901-275-3702

(8) New Market Tax Credit Program and Long-term Debt

Regional One Health entered into a transaction with SunTrust Community Capital, LLC in September 2013 to obtain financing through the New Market Tax Credit (NMTC) Program sponsored by the Department of Treasury. The NMTC Program permits certain corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments (QEI) in community development entities. The credit provided to the investor totals 39% of the initial value of the QEI and is claimed over a seven-year credit allowance period.

As part of this transaction Regional One Health and SunTrust Community Capital, LLC contributed approximately \$19,222,000 and \$7,328,000, respectively, to The Med Memphis Investment Fund, LLC, an entity created to provide funding for investments in special purposes entities called community development entities (CDEs). Regional One Health provided funding and received a notes receivable as part of the NMTC program as follows:

	2016	2015
Notes receivable	\$ 19,221,600	19,221,600

The notes receivable requires interest only payments of 1.119% annually on the unpaid principal balance, which is due on February 15 following the end of a calendar year, beginning February 15, 2014 through February 15, 2021. Beginning on February 15, 2022, principal and interest payments will be due and will continue annually until the maturity of the notes receivable on February 15, 2035. Additional principal payments are required related to this notes receivable in an amount equal to 90% of net cash flow, as defined in the borrowers operating agreement.

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Shelby County Health Care Properties, Inc. was formed as part of the NMTC Program with Regional One Health as the sole member. Shelby County Health Care Properties, Inc. executed note payable agreements on September 13, 2013 with several CDE's that provide for borrowings of \$26,550,000. The proceeds from these notes payable were used for the expansion of Regional One Health and are treated as a "qualified low-income community investment" for purposes of generating new markets tax credits under Section 45d of the Internal Revenue Code of 1986, as amended.

Long-term debt related to the NMTC program is summarized as follows:

	-	2016	2015
Note payable to RGC 2, LLC, interest paid quarterly at an interest rate of 1.00%, the maturity date is September 13, 2038 Note payable to NDC New Markets Investments LXXXIII, LLC,	\$	5,500,000	5,500,000
interest paid quarterly at an interest rate of 1.00%, the maturity date is September 13, 2038 Note payable to CHHS Subsidiary CDE 7, LLC, interest paid		6,790,000	6,790,000
quarterly at an interest rate of 1.00%, the maturity date is September 13, 2038 Note payable to ST CDE XIV, LLC, interest paid quarterly at an		7,760,000	7,760,000
interest rate of 1.00%, the maturity date is September 13, 2038	-	6,500,000	6,500,000
	\$ _	26,550,000	26,550,000
	_		

A schedule of changes in the long-term debt related to the NMTC program for 2016 follows:

	Date of Issuance		Bulance July 1, 2015	Additions	Retired	Balance June 30, 2016	Due within one year
Note payable to RGC 2, LLC	9/13/2013	S	5,500,000		_	5,500,000	
Note payable to NDC New Markets Investment							
LXXXIII, LLC	9/13/2013		6,790,000	10-001	gram-	6,790,000	physical (
Note payable to CHHS							
subsidiary CDE 7, LLC	9/13/2013		7,760,000	*gapan		7,760,000	
Note payable to ST CDE							
XIV, LLC	9/13/2013		6,500,000	·		6,500,000	
		S	26,550,000			26,550,000	

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A schedule of changes in the long-term debt related to the NMTC program for 2015 follows:

	Date of Issuance	-,10	Balance July 1, 2014	Additions	Retired	Balance June 30, 2015	Due within one year
Note payable to RGC 2, LLC Note payable to NDC	9/13/2013	S	5,500,000	_		5,500,000	
New Markets Investment LXXXIII, LLC Note payable to CHHS	9/13/2013		6,790,000	-1142	www	6,790,000	we () 440
subsidiary CDE 7, LLC Note payable to ST CDE	9/13/2013		7,760,000	······································	474*	7,760,000	*******
XIV, LLC	9/13/2013		6,500,000			6,500,000	
		S	26,550,000	·····		26,550,000	

The aggregate annual maturities of the long-term debt at June 30, 2016 are as follows:

2017	\$	
2018		***************************************
2019		- Warden-room
2020		andress.
2021		Assessed designs
Thereafter	<u></u>	26,550,000
	\$	26,550,000

The annual interest payments associated with long-term debt are as follows:

2017	\$	265,500
2018		265,500
2019		265,500
2020		556,350
2021		79,597
Thereafter	:	28,986,051
	\$	30,418,498

The principal balance is due, for each of the notes payable listed above, in its entirety on the stated maturity date. Interest paid was approximately \$265,500 and \$270,000 in 2016 and 2015, respectively.

2016

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(9) Accrued Expenses and Other Current Liabilities

The composition of accrued expenses and other current liabilities follows:

	_	2016	2015
Due to third-party payors	\$	17,624,000	16,013,000
Compensated absences		8,917,099	9,341,125
Deferred grant revenue		248,071	164,375
Accrued payroll and withholdings		12,827,951	7,487,149
Accrued employee healthcare claims		2,808,000	2,715,000
Professional and general liability costs		1,800,000	2,300,000
Other	-	302,729	297,027
	\$	44,527,850	38,317,676
	=		

(10) Net Patient Service Revenue

Regional One Health has agreements with governmental and other third-party payors that provide for reimbursement to Regional One Health at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

• Medicare – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based on cost reimbursement or other retroactive-determination methodologies. Regional One Health is paid for retroactively determined items at tentative rates with final settlement determined after submission of annual cost reports by Regional One Health and audits thereof by Regional One Health fiscal intermediary.

Regional One Health's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. Regional One Health's Medicare cost reports have been audited and settled by Regional One Health's fiscal intermediary through June 30, 2013. Revenue from the Medicare program accounted for approximately 24% and 21% of Regional One Health's net patient service revenue for the years ended June 30, 2016 and 2015, respectively.

• TennCare – Under the TennCare program, patients traditionally covered by the State of Tennessee Medicaid program and certain members of the uninsured population enroll in managed care organizations that have contracted with the State of Tennessee to ensure healthcare coverage to their enrollees. Regional One Health contracts with the managed care organizations to receive reimbursement for providing services to these patients. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diem rates. Revenue from the TennCare program

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accounted for approximately 22% of Regional One Health's net patient service revenue for both the years ended June 30, 2016 and 2015.

Regional One Health has historically received incremental reimbursement in the form of Essential Access payments through its participation in the TennCare Program. Amounts received by Regional One Health under this program were approximately \$66,200,000 and \$59,700,000 in 2016 and 2015, respectively. These amounts have been recognized as reductions in related contractual adjustments in the accompanying statements of revenues, expenses, and changes in net position. There can be no assurance that Regional One Health will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified. Any material reduction in such funds has a correspondingly material adverse effect on Regional One Health's operations.

• Arkansas Medicaid — Substantially all inpatient and outpatient services rendered to Arkansas Medicaid program beneficiaries are paid under prospective reimbursement methodologies established by the State of Arkansas. Certain other reimbursement items (principally inpatient nursery services and medical education costs) are based upon cost reimbursement methodologies. Regional One Health is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by Regional One Health and audits thereof by the Arkansas Department of Health and Human Services (DHHS). Regional One Health's Arkansas Medicaid cost reports have been audited and settled by the Arkansas DHHS through June 30, 2012. Revenue from the State of Arkansas Medicaid program accounted for approximately 2% of Regional One Health's net patient service revenue for both years ended June 30, 2016 and 2015.

Regional One Health has historically received incremental reimbursement in the form of Upper Payment Limit (UPL) and additional appropriation payments through its participation in the State of Arkansas Medicaid program. The net benefit for Regional One Health associated with this program, totaling approximately \$2,500,000 and \$2,300,000 for the years ended June 30, 2016 and 2015, respectively, has been recognized as a reduction in related contractual adjustments in the accompanying statements of revenues, expenses, and changes in net position. There can be no assurance that Regional One Health will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

• Mississippi Medicaid — Inpatient and outpatient services rendered to Mississippi Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the State of Mississippi. Revenue from the State of Mississippi Medicaid program accounted for approximately 2% of Regional One Health's net patient service revenue for both the years ended June 30, 2016 and 2015.

Regional One Health has historically received incremental reimbursement in the form of Upper Payment Limit (UPL) and additional appropriation payments through its participation in the State of Mississippi Medicaid program. The net benefit for Regional One Health associated with this program, totaling approximately \$5,400,000 for both the years ended June 30, 2016 and 2015, and has been recognized as a reduction in related contractual adjustments in the accompanying statements of revenues, expenses, and changes in net position.

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Other - Regional One Health has also entered into payment agreements with certain commercial
insurance carriers, health maintenance organizations, and preferred provider organizations. The
reimbursement methodologies under these agreements include prospectively determined rates per
discharge, per diem amounts, and discounts from established charges.

The composition of net patient service revenue follows:

2016	2015
\$ 1,152,642,901	1,106,384,701
767,779,648	670,979,457
22,507,087	88,270,282
\$362,356,166	347,134,962
	\$ 1,152,642,901 767,779,648 22,507,087

The composition of incremental reimbursement from various state agencies for participation in TennCare/Medicaid programs follows:

	-	2016	2015
TennCare essential access	\$	66,150,059	59,654,700
Arkansas UPL/Disproportionate share		2,497,816	2,326,509
Mississippi disproportionate share	_	5,360,521	5,405,965
Total payments	\$ _	74,008,396	67,387,174

The Health Information Technology for Economic and Clinical Health (HITECH) Act was enacted as part of the American Recovery and Reinvestment Act of 2009 and signed into law in February 2009. In the context of the HITECH Act, Regional One Health must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and "meaningful use" of health information technology (HIT). The HITECH Act includes significant monetary incentives and payment penalties meant to encourage the adoption of EHR technology. Regional One Health received approximately \$1,792,000 and \$391,000 of incentive payments related to EHR implementation for the years ended June 30, 2016 and 2015, respectively. These amounts are included in net patient service revenue within the statements of revenues, expenses, and change in net position.

(11) Charity Care

Regional One Health maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, were approximately \$291,300,000 and \$283,700,000 in 2016 and 2015, respectively. Included in the charges foregone is the upfront discount applied to all uninsured patients of approximately \$140,000,000 and \$98,300,000 in 2016 and 2015, respectively, as Regional One Health does not pursue collection on these amounts. Regional One Health's estimated cost of caring for charity care patients for the years ended June 30, 2016 and 2015, was approximately \$88,300,000 and \$82,600,000, respectively.

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(12) Retirement Plaus

(a) Defined Benefit Plan

Regional One Health contributes to the Shelby County Retirement System (the Retirement System), a cost-sharing single-employer defined benefit public employee retirement system (PERS) established by Shelby County, Tennessee. The Retirement System is administered by a board, the majority of whose members are nominated by the Shelby County Mayor, subject to approval by the Shelby County Board of Commissioners. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Shelby County Retirement System, Suite 950, 160 North Main, Memphis, Tennessee 38103 or by calling 901-545-3570.

Shelby County provides office space and certain administrative services at no cost to the Retirement System. All other costs to administer the plan are paid from plan earnings.

The Retirement System consists of three plans (Plans A, B, and C). In 1990, Plans A and B were merged into one reporting entity, whereby total combined assets of the merged plans are available for payment of benefits to participants of either of the two previously existing plans. In 2005, Plan C was added and merged with Plans A and B for funding purposes. While the plans were merged, the Retirement System has retained the membership criteria of the previous plans, which are as follows:

- Plan C, a contributory cost-sharing multiple-employer defined benefit pension plan for employees who are also eligible for Plan A,
- Plan B, a contributory cost-sharing multiple-employer defined benefit pension plan for employees hired prior to December 1, 1978, and
- Plan A, a contributory cost-sharing multiple-employer defined benefit pension plan for employees hired on or after December 1, 1978, and those employees that elected to transfer to Plan A from Plan B before January 1, 1981. Plan A was noncontributory for all years prior to 2013.

The Shelby County Board of Commissioners establishes the Retirement System's benefit provisions. Regional One Health pays the established contribution rate to the Shelby County Pension Plan with the employee contribution being withheld from employee pay and Regional One Health paying the employer contribution rate. Regional One Health has no further obligation once the employee leaves Regional One Health. The Retirement System provides retirement, as well as survivor and disability defined benefits.

The Retirement System's funding policy for employee contribution requirements is established by the Board of Administration of the Retirement System. The Shelby County Board of Commissioners establishes the Retirement System's funding policy for employer contribution requirements. For fiscal years 2016, 2015, and 2014, the employer contribution requirements were based on the actuarially determined contribution rates, which were 13.26%, 13.35%, and 13.26%, respectively.

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The actuarially determined contribution rate was calculated using a projected unit credit service pro rata cost method for Plan A, Plan B, and Plan C participants.

For fiscal years 2016, 2015, and 2014, the following contributions were made to the defined benefit plans:

	_	2016	2015	2014
Regional One Health's contributions: Plan A Plan B Plan C	\$	168,514 ————————————————————————————————————	266,282 233 157,330	367,032 2,020 82,447
Employee contributions; Plan A Plan B Plan C	\$	15,971 — 15,259	27,224 82 24,700	20,783 709 23,343

The contributions as a percentage of earned compensation were the same as those for the Retirement System. Regional One Health contributed 100% of its required contributions in 2016, 2015, and 2014.

(b) Defined Contribution Plan

Effective October 1, 2009, Regional One Health established, under the authority of its Board of Directors, The Regional Medical Center at Memphis 403(b) Retirement Plan, a defined contribution pension plan covering employees 21 years of age and older who have completed one year of service. The plan is administered by Regional One Health. The plan provides for a 100% employer match on employee contributions up to 4% of employee compensation. Participants are immediately vested in their contributions plus actual earnings thereon. Participants vest 20% in the employers matching contributions after two years of service, 50% after three years, 75% after four years, and 100% after five years. Forfeitures remain in the plan for the benefit of other participants. Regional One Health contributed approximately \$2,800,000 and \$2,400,000 to the 403(b) plan for the years ended June 30, 2016 and 2015, respectively. 403(b) plan participants contributed approximately \$5,100,000 and \$4,300,000 to the 403(b) plan for the years ended June 30, 2016 and 2015, respectively.

Effective December 1, 2010, Regional One Health established, under the authority of its Board of Directors, The Regional Medical Center at Memphis Nonqualified Supplemental Retirement Plan (Supplemental Retirement Plan). The plan is administered by Regional One Health. The Supplemental Retirement Plan was formed under Section 457(f) of the IRC of 1986, and management believes that it complies with all provisions applicable to a nonqualified deferred compensation plan under IRC Section 409A. Plan participants contributed approximately \$757,000 and \$194,000 to the plan for the years ended June 30, 2016 and 2015, respectively.

(13) Postretirement Benefit Plan

Regional Medical Center Healthcare Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan sponsored and administered by Regional One Health. The Plan provides medical and life insurance

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benefits to eligible retirees and their spouses. Regional One Health's Board of Directors is authorized to establish and amend all provisions. Regional One Health does not issue a publicly available financial report that includes financial statements and required supplementary information for the Plan.

During fiscal year 2010, Regional One Health's Board of Directors approved a plan amendment that eliminated medical coverage for those employees who did not have 15 years of service as of December 31, 2009 and eliminated life insurance coverage for those employees retiring January 1, 2010 or later.

Per GASB Statement No. 45, Accounting and Financial Reporting Employers for Postemployment Benefits Other Than Pensions, for financial reporting purposes an actuarial valuation is required at least biennially for postretirement benefit plans with a total membership of 200 or more. Regional One Health's postretirement benefit plan had approximately 308 members as of the last actuarial valuation of June 30, 2016.

(a) Funding Policy

The contribution requirements of employees and the Plan are established and may be amended by Regional One Health's Board of Directors. Monthly contributions are required by retirees who are eligible for coverage. Regional One Health pays for costs in excess of required retiree contributions. These contributions are assumed to increase based on future medical plan cost increases. For fiscal 2016 and 2015, Regional One Health contributed approximately \$959,000 and \$1,181,000, respectively, net of retiree contributions, to the Plan. Plan members receiving benefits contributed approximately \$154,000 in fiscal 2016 and \$233,000 in fiscal 2015 through their required contributions. The following table summarizes the monthly contribution rates for the year beginning July 1, 2015:

		Spouse	
Pre-Medicare	\$	2,004	2,244
Pre-Medicare eligible		708	1,668

(b) Annual OPEB Cost and Net OPEB Obligation

Regional One Health's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table shows the components of

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Regional One Health's annual OPEB cost for fiscal 2016, the amounts actually contributed to the Plan, and changes in Regional One Health's net OPEB obligation:

		2016	2015*
Annual required contributions and annual OPEB cost Contributions made	\$	1,323,070 1,113,070	1,290,462 1,452,462
Increase (decrease) in net OPEB obligation		210,000	(162,000)
Net OPEB obligation, beginning of year	_	750,000	912,000
Net OPEB obligation, end of year	\$	960,000	750,000

(c) Three-Year Trend Information

Fiscal year ended	<u></u> e <u></u> e	Annual OPEB cost	Percentage of annual OPEB cost contributed	 Net OPEB obligation
June 30, 2016 June 30, 2015 June 30, 2014	\$	1,323,070 1,350,954 1,297,799	79.0% 107.5 114.6	\$ 918,679 646,672 748,180

^{*} Regional One Health did not obtain an actuarial evaluation of the postemployment benefit plan, as allowed by relevant accounting literature, for the year ended June 30, 2015, so the results reported above are related to the June 30, 2014 valuation.

(d) Funded Status and Funding Progress - Required Supplementary Information

As of July 1, 2015, the Plan was not funded. The actuarial accrued liability for benefits was \$19,271,148 resulting in an unfunded actuarial accrued liability (UAAL) of \$19,271,148.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as presented below as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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(e) Schedule of Funding Progress - Required Supplementary Information

Analysis of the Plan's funding status follows:

		Actuarial Actuarial accrued value of liability plan assets (AAL)		Plan assets less than AAL	Funded ratio	_	Covered payroll	AAL as of a percentage of covered payroll	
July 1, 2013 July 1, 2014 July 1, 2015	\$	VIIII VIII	20,050,142 20,050,142 19,271,148	20,050,142 20,050,142 19,271,148	=	\$	18,116,596 18,116,596 18,693,833	111.0 111.0 109.0	

^{*} All inputs for valuation is provided as of beginning of the fiscal year being actuarially valuated

(f) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 3% investment rate of return, which is a long-term rate of return on general account assets, and an annual inflation rate and annual healthcare cost trend rate of 7.1%, reducing each year until it reaches an annual rate of 4.4% in 2084. The UAAL is being amortized, using a level percentage of pay method, over a 30-year period under the Projected Unit Credit Method.

(14) Transactions with University of Tennessee Center for Health Services

Regional One Health contracts with University of Tennessee Center for Health Services (UTCHS) and University of Tennessee Medical Group (UTMG) to provide, among other things, Regional One Health's house staff, professional supervision of certain ancillary departments, and professional care for indigent patients. Regional One Health also provides its facilities as a teaching hospital for UTCHS.

Operating expenses include approximately \$21,600,000 and \$26,100,000 for the years ended June 30, 2016 and 2015, respectively, for all professional and other services provided by UTCHS/UTMG.

On October 1, 2014, Regional One Health and the University of Tennessee Health Science Center created a jointly governed physician's group known as the University of Tennessee Regional One Physicians (UTROP). The UTROP physician group will replace the existing relationship between Regional One Health and UTMG, and will provide Regional One Health's professional supervision of certain ancillary departments and professional care for patients. Under the UTROP professional services agreement, UTROP assigns all physician revenue to Regional One Health for a fixed contracted fee based on the number of physicians needed to operate the hospital. Regional One Health records the patient service revenue earned by these physicians as gross patient service revenue and is at risk for the collection of these amounts. The fixed fee amount paid by Regional One Health to UTROP during the 2016 and 2015 years was approximately

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\$51,300,000 and \$35,600,000, respectively, and is included in purchased medical services on the statements of revenues, expenses, and changes in net position.

(15) Risk Management

Regional One Health has a self-insurance program for professional and general liability risks, both with respect to claims incurred after the effective date of the program and claims incurred but not reported prior to that date. Regional One Health has not acquired any excess coverage for its self-insurance because Regional One Health is afforded sovereign immunity in accordance with applicable statutes. Presently, sovereign immunity limits losses to \$300,000 per claim. Regional One Health has recorded an accrual for self-insurance losses totaling approximately \$4,200,000 and \$6,800,000 at June 30, 2016 and 2015, respectively.

Incurred losses identified through Regional One Health's incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate Regional One Health's current inventory of reported claims and historical experience, as well as considerations such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries.

The following is a summary of changes in Regional One Health's self-insurance liability for professional and general liability costs for fiscal 2016 and 2015:

	-	2016	2015
Balance at July 1 Provision for claims reported and claims incurred but not reported Claims paid	\$	6,830,000 (1,777,112) (826,888)	7,152,000 179,580 (501,580)
		4,226,000	6,830,000
Amounts classified as accrued expenses and other current liabilities	_	(1,800,000)	(2,300,000)
Balance at June 30	\$ _	2,426,000	4,530,000

Like many other businesses, Regional One Health is exposed to various risks of loss related to theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Claims settled through June 30, 2016 have not exceeded this commercial coverage in any of the three preceding years.

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The following is a summary of changes in Regional One Health's self-insurance liability for employee health coverage (included in accrued expenses and other current liabilities in the accompanying balance sheets) for fiscal 2016 and 2015:

	-	2016	2015
Balance at July 1	\$	2,715,000	1,826,000
Claims reported and claims incurred but not reported		18,433,806	16,024,010
Claims paid	_	(18,340,806)	(15,135,010)
Balance at June 30	\$_	2,808,000	2,715,000

(16) Commitments

Regional One Health has outstanding service contracts for management services, equipment maintenance, and blood supply services. Estimated future payments under the contracts follow:

2017	\$ 3,712,864
2018	2,862,018
2019	2,415,295
2020	2,172,756
2021	1,519,940
Thereafter	1,294,327
	\$ 13,977,200

Expense under these contracts and other contracts was approximately \$13,700,000 and \$11,800,000 for the years ended June 30, 2016 and 2015, respectively.

(17) Leases

Regional One Health has entered into noncancelable operating leases for certain buildings and equipment. Rental expense for all operating leases was approximately \$5,300,000 and \$5,200,000 for the years ended June 30, 2016 and 2015, respectively. The future minimum payments under noncancelable operating leases as of June 30, 2016 follow:

2017	\$ 5,301,607
2018	4,725,940
2019	2,147,698
2020	1,756,670
2021	1,456,202
Thereafter	 8,046,932
	\$ 23,435,049

January 30, 2017 3:16 pm

SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

Notes to Basic Financial Statements
June 30, 2016 and 2015

(18) Healthcare Industry Environment

Management at Regional One Health continually monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact Regional One Health in a number of ways, including uncertainties associated with U.S. healthcare system reform and rising self-pay and emerging high-deductible plan funded patient volumes coupled with increases in uncompensated care and decreasing reimbursement rates relative to governmental payors.

January 30, 2017 3:16 pm

Schedule 1

SHELBY COUNTY HEALTH CARE CORPORATION (A Component Unit of Shelby County, Tennessee)
Combining Schedule – Statement of Net Position

June 30, 2016

ss Combined	16,710,050 111,841,180 64,422,437 13,811,415 7,282,171	7	12,980,671 19,221,600 90,988,913 4 343,758,218	14,452,736 44,527,850 4 58,980,586	2,426,000 11,893,738 960,000 26,550,000 4 100,810,324	64,438,913 1,896,509 702,167 437,060 175,473,245 242,947,894 4 343,758,218
Eliminations	141,634	141,634	141,634	141.634	141,634	141,634
Regional One Properties, Inc.	11111	1 11	3,497.896	1 1 1	13311	3,497,896 1,066,223 4,564,119 4,564,119
Shelby County Health Care Properties, Inc.	52,694 — — 149,000 849,337	1,051,031	40,587,300	148,822	26,550,000	14,037,300
Regional Onc Health Foundation	66.189	92,845	6.155,566	3.286 4,906 8.192	8,192	1,896,509 702,167 3,548,698 6,147,374 6,155,566
Regional Med Extended Care Hospital LLC	1,601,547 7,529,599 34,999	9,166,145	9.166,145	1,355	128,702	9,037,443
Shelby County Health Care Corporation	\$ 14,989,620 111,841,180 56,892,838 13,494,125 6,397,835	203,615,598	11.914,448 19.221,600 46.903,717 \$ 281,655,363	\$ 14,448,095 44,105,141 58,553,236	2,426,000 11,893,738 960,000 73,832,974	46,903,717
Assets	Assets: Cash and cash equivalents Investments Patient accounts receivable, net Other receivables Other querent assets	Total current assets Restricted cash Restricted investments	Equity investments Notes receivable Capital assets, net Total assets	Liabilities: Accounts payable Accured expenses and other current liabilities Total current liabilities	Accrued professional and general liability costs Obligation under reverse repurchase agreement Net postemployment benefit obligation Notes payable Total liabilities	Net position: Invested in capital assets Restricted for: Capital assets Indigent care Notes payable Unrestricted Total net position Total liabilities and net position

95

January 30, 2017 3:16 pm

Schedule 2

SHELBY COUNTY HEALTH CARE CORPORATION (A Component Unit of Shelby County, Tennessee)

Combining Schedule - Statement of Net Position

June 30, 2015

Combined	9,764,159 109,959,639 68,627,756 10,968,415 7,035,719	206,355,688	514,785 6,901,313 10,999,876 19,221,600 96,007,465	340,000,727	14,092,765 38,317,676 52,410,441	4.530,000 750,000 26,550,000 84,240,441	69,457,465	2,855,282 834,684 514,785 182,098,070 255,760,286 340,000,727
Eliminations	(4,272,034)	(4,272,034)	TILLI	(4,272,034)	(12,385) (4,259,649) (4,272,034)	(4,272.034)	t	(4,272.034)
Regional One Properties, Inc.	HILLI		1,113,875	4,611,771		1111	3,497,896	1.113,875 4,611,771 4,611,771
Shelby County Health Care Properties, Inc.	47,353 — 149,000 1,052,482	1,248,835	514,785	41,083,283	148,200	26,550,000	12,769,663	514,785 1,100,635 14,385,083 41,083,283
Regional One Health Foundation	229,220	317,704	6,901,313	7.219.017	8,684	9,684	1	2,855,282 834,684 3,520,367 7,210,333 7,219,017
Regional Med Extended Care Hospital LLC	6,333,837	8,073,265	[11]	8,073,265	36.093 4.552.564 4.588.657	4.588.657	Ĭ	3,484,608
Shelby County Health Care Corporation	\$ 7,783,038 109,959,639 62,293,919 15,002,965 5,948,357	200,987,918	9.886.001 19,221,600 53.189,906	\$ 283,285,425	\$ 14,060,373 37.876,561 51,936,934	4,536,000 756,000 ——————————————————————————————————	53,189,906	172,878,585 226,068,491 \$ 283,285,425
Assets	Assets: Cash and cash cquivalents Investments Patient accounts receivable, net Other receivables	Total current assets	Restricted cash Restricted investments Equity investments Notes receivable Capital assets, net	Total assets Liabilities and Net Position	Liabilities: Accounts payable Accrued expenses and other current liabilities Total current liabilities	Accrued professional and general liability costs Net postemployment benefit obligation Notes payable Total liabilities	Net position: Invested in capital assets Danieted for:	Capital assets Indigent care Notes payable Unrestricted Total net position

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Schedule 3

SHELBY COUNTY HEALTH CARE CORPORATION

Schedule 4

SHELBY COUNTY HEALTH CARE CORPORATION (A Component Unit of Shelby County, Tennessee)

Combining Schedule - Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2015

Combined	347,134,962 26,239,916	373,374,878	179,221,725 84,128,275 25,475,185 44,448,420 13,783,854 2,843,248 34,746,038 75,581 18,204,987 403,609,313 (30,234,435) 3,778,035 26,816,000 8,730,159	38.776.403	247.218,318
Eliminations	(121.529)	(121,529)	(121,529)		1
Regional One Properties, Inc.	11	1	121,268	(2,107,207)	6.718.978
Shelby County Health Care Properties, Inc.	298,000	298,000	247,462 4,677,433 4,924,895 (4,626,895) (265,500) 1,075 3,869,244	3,604,819 (1,022,076)	15,407,159
Regional One Health Foundation	1,255,747	1.255,747	879,110 879,110 376,637	218,268 594,905	6,615,428
Regional Med Extended Care Hospital LLC	14,597,449	14,598,482	5,826,154 2,266,459 823,432 59,426 48,328 106,660 2,132,018	(658.075)	3,484,608
Shelby County Health Care Corporation	\$ 332,537,513 24,806,665	357,344,178	173,395,571 81,861,816 24,651,753 44,388,994 13,735,526 2,736,558 32,366,558 13,527,534 13,527,534 (82,291) 3,359,767 26,816,000 8,607,816 (982,694)	37,718,598	\$ 226,068,491
e.	Operating revenues: Net patient service revenue Other revenue	Total operating revenues	Operating expenses: Salarices and benefits Supplies and benefits Supplies and services Physician and professional fees Purchased medical services Plant operations Insurance Administrative and general Community services Depreciation Total operating expenses Operating income (loss) Nonoperating revenues (expenses): Interest expense Interest expense Appropriations from Shelby County Other	Total nonoperating revenues (expenses), net Increase (decrease) in net position	Net position, beginning of year Net position, end of year

SHELBY COUNTY HEALTH CARE CORPORATION (A Component Unit of Shelby County, Tennessec)

Combining Schedule - Statement of Cash Flows

Year ended June 30, 2016

Combined	367,284,642 33,212,527 (232,319,636) (186,503,501)	(18,325,968)	25,328,013	25,328,013	(13,661,497)	(14,051,417)	(300,665,214) 312,242,913 2,339,839	13,917,538	6,868,166	10.278.944	17.147.110
Regional One Properties, Inc.			ı	1			111	I	Ĺ		
Shelby County Health Care Properties, Inc.	298,000 (104,884)	193,116		1	(265,500)	(265,500)		1	(72,384)	562,138	489,754
Regional One Health Foundation	1,381,599	(850,722)	t	1	1 1	I	(2,406,675) 3,009,734 84,632	169.789	(163,031)	229,220	681.99
Regional Med Extended Care Hospital LLC	11,655.284 2,621 (5,565,754) (6,195,152)	(103,001)			ľ 1	1	111	1	(103,001)	1,704.548	1,601,547
Shelby County Health Care Corporation	\$ 355,629,358 31,530,307 (224,416,677) (180,308,349)	(17,565,361)	25,328,013	25,328,013	(13.661,497)	(13.785,917)	(298,258,539) 309,233,179 2,255,207	13,229,847	7,206,582	7,783,038	\$ 14,989,620
	Cash flows from operating activities: Receipts from and on behalf of patients and third-party payors Other cash receipts Payments to suppliers Payments to employees and related benefits	Net cash (used in) provided by operating activities	Cash flows from noncapital financing activity: Appropriations received from Shelby County	Net cash provided by noncapital financing activity	Cash flows from capital and related financing activities: Capital expenditures Interest payments	Net cash used in capital and related financing activities	Cash flows from investing activities Purchases of investments Proceeds from sale of investments Investment income proceeds	Net cash provided by investing activities	Net increase (decrease) in eash and eash equivalents	Cash and cash equivalents, beginning of year	Cash and cash equivalents, end of year

SHELBY COUNTY HEALTH CARE CORPORATION (A Component Unit of Shelby County, Tennessee)

Combining Schedule -- Statement of Cash Flows

Year ended June 30, 2015

e .c. Combined	335,009,290 25,607,911 (208,312,598) (180,016,276)	(27,711,673)	26,816,000	26,816,000	(11.893,966) 22,169 31,398 (331.916)	(12,192,315)	(238,329,755) 249,085,424 (1,300,000) 3,345,720	12,801,389	(286,599)	10,565,543	
Regional One Properties, Inc.	1111	1	1	1			1111	1	1	1 1	
Shelby County Health Care Properties, Inc.	298,003 (49,950)	248,053	Ĭ	Ĭ		(269,625)	ÜÜÜ	Ì	(21,572)	583,710 562,138	
Regional One Health Foundation	2,269,038 (2,428,965)	(159,927)	1	1	1111]	(2,544,250) 2,484,809 109,562	50,121	(109,806)	339,026	
Regional Med Extended Care Hospital LLC	9,551,683 1,033 (2,783,322) (5,745,916)	1,023,478	Ĭ	1	1111		1111	Ĭ	1,023,478	681,070	
Shelby County Health Care Corporation	\$ 325,457,607 23,039,837 (203,050,361) (174,270,360)	(28.823.277)	26,816,000	26,816,000	(11,893,966) 22,169 31,398 (82,291)	(11,922,690)	(235,785,505) 246,600,615 (1,300,000) 3,236,158	12,751,268	(1,178,699)	8,961,737 \$ 7,783,038	
	Cash flows from operating activities: Receipts from and on behalf of patients and third-party payors Other eash receipts Payments to suppliers Payments to employees and related benefits	Net cash (used in) provided by operating activities	Cash flows from noncapital financing activity: Appropriations received from Shelby County	Net cash provided by noncapital financing activity	Cash flows from capital and related financing activities: Capital expenditures Proceeds from pledges Proceeds from sale of capital assets Interest payments	Net cash used in capital and related financing activities	Cash flows from investing activates Purchases of investments Proceeds from sale of investments Investment in equity investees Investment income proceeds	Net cash provided by investing activities	Net (decrease) increase in eash and eash equivalents	Cash and cash equivalents, beginning of year Cash and cash equivalents, end of year	

January 30, 2017 3:16 pm

Schedule 7

SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

Roster of Management Officials and Board Members

June 30, 2016

(Unaudited)

Management Officials

Reginald Coopwood, M.D., President and CEO

Eric Benink, M.D., Senior Vice President/Chief Medical Officer

Pam Castleman, MSN, Senior Vice President/Chief Nursing Officer

Sarah Colley, Senior Vice President

Susan Cooper, RN, MSN, FAAN, Senior Vice President/Chief Integration Officer

Jackie Lucas, FACHE, Senior Vice President/CIO

Tammie Ritchey, CFRE, Vice President of Development/Foundation Executive Director

Robert Sumter, Ph.D., Executive Vice President/COO

Tish Towns, FACHE, Senior Vice President, External Relations

Rick Wagers, MBA, Senior Executive Vice President/CFO

Monica Wharton, ESQ, Senior Vice President/Chief Legal Counsel

Board Members

Ken Brown, Ph.D.

Pam Brown

Tyrone Burroughs

Ronald Coleman

Judy Edge

William D. Evans, Pharm.D.

James Freeman, M.D.

Brenda Hardy, M.D.

Edith Kelly-Green

Scot Lenoir

Scott McCormick

Commissioner Reginald Milton

David Popwell

Phil Shannon

John Vergos

January 30, 2017 3:16 pm

BMH Audited Financials Letter

January 30, 2017 3:16 pm

Deloitte

Deloitte & Touche LLP 6075 Poplar Avenue Suite 350 Memphis, TN 38119-0112 USA

Tel: + 1 901-322-6700 www,deloitte.com

December 15, 2016

The Board of Directors
Baptist Memorial Health Care Corporation Affiliates
350 North Humphreys Boulevard
Memphis, TN 38120

We have performed an audit of the combined financial statements of Baptist Memorial Health Care Corporation and affiliates ("BMHCC") as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated December 15, 2016.

We also performed separate audits for Baptist Memorial Hospital – Union County, Inc. ("BMH Union County") and Baptist Memorial Health Care Foundation ("Foundation") as of and for the year ended September 30, 2016, in accordance with generally accepted auditing standards and have issued our reports thereon dated December 15, 2016.

We are not aware of any relationships between the Deloitte Entities and BMHCC, BMH Union County and the Foundation that under the rules and standards of the American Institute of Certified Public Accountants (AICPA) may reasonably be thought to bear on our independence. Deloitte Entities shall mean Deloitte & Touche LLP and the member firms of Deloitte Touche Tohmatsu Limited and their respective affiliates.

We hereby affirm that as of December 15, 2016, we are independent accountants with respect to BMHCC, BMH Union County and the Foundation within the meaning of the rules and standards of the AICPA.

We have not audited any financial statements of BMHCC, BMH Union County or the Foundation subsequent to September 30, 2016, or performed any audit procedures subsequent to the dates of these reports.

Dilly : Thomas (1)



Capitalization Ratio

January 30, 2017 3:16 pm

Regional One Health Capitalization Ratio

Long-Term Debt	06/30/16	06/30/16 12/31/16	
Accrued Professional & General Liability	2,426,000	2,577,553	
Net Postemployment benefit obilation	000'096	960,000	
Notes Payable	26,550,000	26,550,000 26,550,000	
Total Long-Term Debt	29,936,000	29,936,000 30,087,553	
Net position	236,800,052	236,800,052 227,819,819	
Capitalization Ratio	11.2%	11.7%	

21. Section B. Economic Feasibility Item H.

The staffing chart on page 38 is noted. However, please include the columns representing the average wage and area wide/statewide average wage as prescribed in the application form and submit a replacement page.

Response:

The staffing chart has been completed.

	Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
a)	Direct Patient Care Positions	N/A			
	RNs		8.2	\$27.84	\$27.10
	Respiratory Therapist	-015	3.5	\$28.85	\$23.16
language.	Medical Assistant		3.3	\$14.00	\$13.48
	Manager		1	\$37.30	\$37.86
	Lab Tech		3.2	\$26.50	\$16.81
	Ultrasound Tech		3.2	\$28.15	\$23.49
	CT Tech		3.3	\$25.50	\$24.45
	Total Direct Patient Care		25.7		
b)	Non-Patient Care Positions				
	Director		1	\$55.25	\$40.54
	MM Tech		1	\$11.56	\$11.55
	Receptionist		3.2	\$15.00	\$13.85
	Total Non-Patient Care Positions		5.2		
	Total Employees (A+B)		30.9		
c)	Contractual Staff Security		4.3	14.00	
	Total Staff (a+b+c)		34.9		

During Agency meeting in November 15, 2015 for Baptist Memorial Hospital Satellite ED (Lakeland), it was discussed there is a shortage of registered nurses (RNs) in Shelby County to staff emergency departments. Please discuss how the applicant will address the recruitment and hiring of RNs.

Response:

As stated in the application, Baptist Memorial Health Care Corporation is a strong supporter of educational opportunities throughout the region. Baptist's Philosophy and Mission for the system states that, "... it seeks to ENCOURAGE, GUIDE, and INSTRUCT those individuals entering into professions related to the healing of the body, mind and spirit."

Baptist Memorial College of Health Sciences was chartered in 1994 as a specialized college offering baccalaureate degrees in nursing and in allied health sciences as well as continuing education opportunities for healthcare professionals.

The four year BHS degree includes radiology training in areas of diagnostic medical services, and radiographic technology. BMH will participate to make student learning opportunities available as circumstances allow.

As of January 27, 2017 how many RN vacancies are in any Baptist Health Corporation hospital in Shelby County?

Response:

Bed side RN vacancies are 4 hospitals in Memphis are shown below. The total includes emergency department vacancies which are also shown separately. The Restorative Care Hospital does not provide Emergency Department services.

Memphis	109 total (5 ED)
Collierville	13 total, (2 ED)
Womens	43 total, (10 ED)
Restorative Care	11 total (0 ED)

22. Section B., Orderly Development, Item A

Please list all existing health care providers, managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to this project, such as, transfer agreements, contractual agreements for health services.

Response:

The list of Transfer Agreements for Baptist Memorial Hospital-Memphis is shown below.

AMISUB (SFH), Inc.
Amisub Inc.
Baptist Skilled Rehabilitation Unit
Baptist Memorial Hospital - Tipton
Baptist Memorial Rehabilitation Hospital
Bright Glade Convalescent Center
East Memphis Surgery Center
Eye Care Surgery Center of Memphis
GI Diagnostic and Therapeutic Center, LLC
Hamilton Eye Surgery Center
King's Daughters & Sons Home
Lauderdale Community Hospital
Le Bonheur Children's Medical Center
Le Bonheur Children's Hospital
Magnolia Regional Health Center
Medical Center Endoscopy Group
Memphis Gastroenterology Group
Primacy Healthcare and Rehabilitation Center
Senior Services Health Care Center
Shea Clinic
The Village at Germantown
Trezevant Manor
Regional One Health

	Provio		Cyat	tems, Ir			New Control of the Co	
		ear CI	1 Syst	Jems, II	ıc.			
Aetna								
Aetna	Medi	care	Advar	ıtage				
Ameri	can Pl	20						
Ameri	Choice	9						
Arkan	sas Ma	anage	ed Car	e Organ	niza	ation (AMCO)		
						Insurance Co		
Blue	Cross	and	Blue	Shield	of	Mississippi		
Blue	Cross	and	Blue	Shield	of	Tennessee B	lueCare/TennCare	Select

January 30, 2017 3:16 pm

Blue Cross and Blue Shield of Tennessee Medicare Advantage
Blue Cross and Blue Shield of Tennessee Network P
Blue Cross and Blue Shield of Tennessee Network S
Bluegrass Family Health Single Source
Cigna Healthplan of TN PPO/EPO/Fundamental
Cigna Healthplan of TN State of TN Employees
Coventry Health Care
Coventry Health Care First Health
Evolutions Healthcare System, Inc.
First Choice Health Plan of Mississippi
Government Employees Health Association, Inc. (GEHA)/PPO USA
HealthSCOPE Benefits, Inc.
HealthSpring Medicare Advantage
Humana ChoiceCare Network
Humana's HMO/EPO Network
Humana Medicare Advantage
Magnolia Health Plan (Centene - Managed MS Medicaid)
Mississippi Physicians Care Network
MultiPlan, Inc.
NovaNet
NovaSys Health
Pittman & Associates, Inc.
PPOplus, LLC
Private Healthcare Systems (PHCS)
Private Healthcare Systems (PHCS) Savilitym
Provider Select, Inc.
QualChoice of Arkansas, Inc.
USA Managed Care Organization, Inc.

January 30, 2017 3:16 pm

23. Section B., Orderly Development, Item D.2

The corrective action plan included in Attachment Orderly Development 4 (B) is noted. However, please submit a letter from the appropriate agency that all deficiencies/findings have been corrected.

The most recent state survey is dated August 21, 2007. Please submit the most recent state survey. If not available, please submit the most recent Joint Commission Survey results.

Response:

A letter dated November 19, 2007 acknowledges that all corrections for deficiencies/findings in the October 17, 2007 survey were accepted.

The most recent Joint Commission Survey results follows:

January 30, 2017 3:16 pm

Oct 17, 2007 Acceptance Letter



STATE OF TENNESSEE DEPARTMENT OF HEALTH

WEST TENNESSEE HEALTH CARE FACILITIES 781-8 AIRWAYS BOULEVARD JACKSON, TENNESSEE 38301

November 19, 2007

Mr. Jason Little, Administrator Baptist Memorial Hospital 6019 Walnut Grove Road Memphis, TN 38120

RE: Full Survey

Dear Mr. Little:

On October 17, 2007, a full survey was completed at your facility. Your plan of correction for this survey has been received and was found to be acceptable.

Thank you for the consideration shown during this survey.

Sincerely,

Celia Skelley, MSN, RN

Public Health Nurse Consultant II

CES/TJW

January 30, 2017 3:16 pm

Joint Commission



December 18, 2014

Zach Chandler CEO Baptist Memorial Hospital - Memphis 6019 Walnut Grove Road Memphis, TN 38120

Joint Commission ID #: 7869
Program: Hospital Accreditation
Accreditation Activity: Measure of Success
Accreditation Activity Completed: 12/18/2014

Dear Mr. Chandler:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning June 07, 2014. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Mark G.Pelletier, RN, MS

Chief Operating Officer

Division of Accreditation and Certification Operations

January 30, 2017 3:16 pm



August 27, 2014

Re: #7869

CCN: #440048 Program: Hospital

Accreditation Expiration Date: June 07, 2017

Zach Chandler CEO Baptist Memorial Hospital - Memphis 6019 Walnut Grove Road Memphis, Tennessee 38120

Dear Mr. Chandler:

This letter confirms that your June 02, 2014 - June 06, 2014 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on July 24, 2014 and August 13, 2014, The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of June 07, 2014.

The Joint Commission is also recommending your organization for continued Medicare certification effective June 07, 2014. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following locations:

Baptist Memorial Hospital Memphis - Memphis Campus 6019 Walnut Grove Road, Memphis, TN, 38120

Baptist Memorial Hospital Memphis- Collierville Campus 1500 West Poplar, Collierville, TN, 38017

Baptist Memorial Hosptial Memphis - Women's Campus 6225 Humphreys Blvd., Memphis, TN, 38120

Baptist Rehab 440 Powell Road, Collierville, TN, 38017

www.jainteonumisstos.org

Headquarters

One Renaissance Boulevard Oakbrook Terrace, IL 60181 630 792 5000 Voice



Baptist Women's Health Center 4545 Poplar Avenue, Memphis, TN, 38117

Baptist Women's Health Center 50 Humphreys Boulevard, Suite 23, Memphis, TN, 38120

GI Specialists d/b/a GI Specialists 80 Humphreys Center Dr. #200, Memphis, TN, 38120

Stern Cardiovascular Clinic Outpatient Diagnostics 8060 Wolf River Boulevard, Germantown, TN, 38138

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

Mark G. Pelletier, RN, MS

Mark Pelleties

Chief Operating Officer

Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services

CMS/Regional Office 4 /Survey and Certification Staff



Official Accreditation Report

Baptist Memorial Hospital - Memphis 6019 Walnut Grove Road Memphis, TN 38120

Organization Identification Number: 7869

Evidence of Standards Compliance (45 Day) Submitted: 7/24/2014

January 30, 2017 3:16 pm

The Joint Commission

Executive Summary

Program(s)
Hospital Accreditation

Submit Date 7/24/2014

Hospital Accreditation:

As a result of the accreditation activity conducted on the above date(s), there

were no Requirements for Improvement Identified.

You will have follow-up in the area(s) indicated below:

 Measure of Success (MOS) – A follow-up Measure of Success will occur in four (4) months.

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

Requirements for Improvement - Summary

Program	Standard	Level of Compliance
HAP	EC.02.03.01	Compliant
HAP	EC.02.05.01	Compliant
HAP	IC.02.02.01	Compliant
HAP	LS.02.01.34	Compliant
HAP	MM.02.01.01	Compliant
HAP	NPSG.03.05.01	Compliant
HAP	PC.01.02.07	Compliant
HAP	PC.01.03.01	Compliant
HAP	PC.02.01.03	Compliant
HAP	PC.02.01.11	Compliant
HAP	PC.03.01.03	Compliant
HAP	PC.03.01.07	Compliant
HAP	PC.04.01.05	Compliant
HAP	RC.02.01.03	Compliant

January 30, 2017 3:16 pm

The Joint Commission Summary of CMS Findings

CoP:

§482.23

Tag: A-0385

Deficiency: Compliant

Corresponds to: HAP

Text:

§482.23 Condition of Participation: Nursing Services

The hospital must have an organized nursing service that provides 24-hour nursing services. The nursing services must be furnished or supervised by a registered nurse,

CoP Standard Tag		Corresponds to	Deficiency	
§482.23(b)(4)	A-0396	HAP - PC.01.03.01/EP1	Compliant	

CoP:

§482.41

Tag: A-0700

Deficiency: Compliant

Corresponds to: HAP

Text:

§482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital

services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(b)(1)(i)	A-0710	HAP - LS.02.01.34/EP2	Compliant

CoP:

§482.42

Tag: A-0747

Deficiency: Compliant

Corresponds to: HAP - EC.02.05.01/EP6

Text:

§482.42 Condition of Participation: Infection Control

The hospital must provide a sanitary environment to avoid sources and transmission of infections and communicable diseases. There must be an active program for the prevention, control, and investigation of infections and communicable diseases.

CoP:

§482.51

Tag: A-0940

Deficiency: Compliant

Corresponds to: HAP - IC.02.02.01/EP2

Text:

§482.51 Condition of Participation: Surgical Services

If the hospital provides surgical services, the services must be well organized and provided in accordance with acceptable standards of practice. If outpatient surgical services are offered the services must be consistent in quality with inpatient care in accordance with the complexity of services offered.

CoP Standard	Tag	Corresponds to	Deficiency
	A-0959	HAP - RC.02.01.03/EP7	Compliant

CoP:

§482.52

Tag: A-1000

Deficiency: Compliant

Corresponds to: HAP

January 30, 2017 3:16 pm

The Joint Commission Summary of CMS Findings

Text:

§482.52 Condition of Participation: Anesthesia Services

If the hospital furnishes anesthesia services, they must be provided in a well-organized manner under the direction of a qualified doctor of medicine or osteopathy. The service is responsible for all anesthesia administered in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.52(b)(3)	A-1005	HAP - PC.03.01.07/EP8	Compliant

CoP:

§482.56

Tag: A-1123

Deficiency: Compliant

Corresponds to: HAP

Text:

§482.56 Condition of Participation: Rehabilitation Services

If the hospital provides rehabilitation, physical therapy, occupational therapy, audiology, or speech pathology services, the services must be organized and staffed to ensure the

health and safety of patients.

CoP Standard	Tag	Corresponds to	Deficiency
§482.56(b)	A-1132	HAP - PC.02.01.03/EP7	Compliant



Official Accreditation Report

Baptist Memorial Hospital - Memphis 6019 Walnut Grove Road Memphis, TN 38120

Organization Identification Number: 7869

Measure of Success Submitted: 12/18/2014

January 30, 2017 3:16 pm

The Joint Commission

Executive Summary

Program(s)
Hospital Accreditation

Submit Date 12/18/2014

Hospital Accreditation:

As a result of the accreditation activity conducted on the above date(s),

there were no Requirements for Improvement identified.

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

January 30, 2017 3:16 pm

The Joint Commission

Requirements for Improvement – Summary

Program	Standard	Level of Compliance		
HAP	EC.02.03.05	Compliant		
HAP	MM.03.01.01	Compliant		
НАР	NPSG.03.05.01	Compliant		
HAP	PC.01.02.07	Compliant		
HAP	PC.01.03.01	Compliant		
HAP	PC.02.03.01	Compliant		
HAP	PC.04.01.05	Compliant		
HAP	RC.02.01.03	Compliant		
HAP	RI.01.03.01	Compliant		

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

24. Section B., Orderly Development, Item F. (1)

Please provide a brief status update for CN1512-066A.

Response:

The project involves renovation of space for 5 exiting cardiac catheterization labs, new imaging equipment for cardiac and peripheral vascular imaging in 2 rooms, ceiling equipment mounts in all rooms, new lighting, 2 volcano machines for ultrasound imaging guidance and omnicell drug dispensing units.

As stated in the CON application, to allow operation of the cath labs to continue during the renovation, the project will be completed in five phases. Currently, phase 1 of the project is approx. 60% complete and the entire project is about 15% complete. The delivery of the first replacement equipment is scheduled for March 15th, 2017.

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

25 Project Completion Forecast Chart

Please submit a Project Completion Forecast Chart.

Response:

The Project Completion Forecast Chart follows.

January 30, 2017 3:16 pm

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

<u>Phase</u>	<u>Days</u> <u>Required</u>	Anticipated Date [Month/Year]
Initial HSDA decision date		04/2017
Architectural and engineering contract signed	5	04/2017
Construction documents approved by the Tennessee Department of Health	120	08/2017
Construction contract signed	120	08/2017
Building permit secured	140	09/2017
Site preparation completed	160	10/2017
7. Building construction commenced	160	10/2017
8. Construction 40% complete	250	12/2017
9. Construction 80% complete	370	03/2018
10. Construction 100% complete (approved for occupancy)	450	08/2018
11. *Issuance of License	480	09/2018
12. *Issuance of Service	490	10/2018
13. Final Architectural Certification of Payment	495	10/2018
14. Final Project Report Form submitted (Form HR0055)	540	11/2018

^{*}For projects that <u>DO NOT</u> involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

SUPPLEMENTAL #1

January 30, 2017 3:16 pm

This is a replacement page to correct the number of ED rooms at Baptist – Memphis. A typographical error was found.

2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response:

Special Needs for the ED will primarily be age related. Pediatric and geriatric patients will be accommodated.

D. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

Response:

There are no CON approved and unimplemented FSEDs in the service area.

Each emergency department location within the zip code area or county is listed in the chart below with the emergency room visit utilization from the Hospital Joint Annual Report. It is unclear whether the visits include left without being seen "LWBS" and left against medical advice "LAMA".

	ED	2011	2012	2013	2014	2015
HOSPITAL NAME	Rooms	Visits	Visits	Visits	Visits	Visits
Methodist University	38	56,725	60,902	62,587	64,724	70,051
Methodist South	37	59,346	62,659	62,300	63,086	65,601
Methodist North	43	59,726	66,862	69,062	68,359	72,247
Methodist Germantown	38	48,109	53,937	54,914	53,817	57,468
Regional One	51	45,189	48,985	55,963	53,187	52,327
Baptist-Memphis	54	56,862	58,333	60,274	62,451	62,492
Baptist Women	8					10,172
Baptist-Collierville	13	16,602	17,735	16,714	14,690	17,219
St Francis-Park	38	39,853	42,198	44,856	50,100	54,522
St Francis-Bartlett	30	31,353	36,561	36,616	36,103	42,220
Delta Medical Center	13	24,350	24,385	26,459	23,963	25,556
Total		438,115	472,557	489,745	490,480	529,875

F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response:

The projection for year 1 is 6,207 visits and year 2 is 9,248 visits. The projections are based on conservative estimates of the proportion of patients as

Supplemental #2 -Original-

Baptist Memorial Hospital

CN1701-005

January 31, 2017

VIA HAND DELIVERY

Phillip Earhart HSD Examiner Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, TN 37243

RE: Baptist Memorial Hospital (Satellite Emergency Department in Arlington)

Dear Mr. Earhart:

Please find enclosed, in triplicate, responses to your letter dated January 31, 2017.

Thank you for your attention to the enclosed.

Very truly yours,

BUTLER SNOW LLP

clw

Enclosures

cc: Arthur Maples

1. Section A., Executive Summary A, Item 1

What is the travel time from the center of the ZIP Codes in the proposed service area to the closest hospital-based ED? Based on your response to this question, please compare the outcome possibilities of a patient with a Level IV or V condition going to a freestanding ED with expected transfer to a hospital versus going directly to a hospital based ED.

Response:

As noted in an earlier response, BMH Memphis will provide education to ensure that patients know the services and costs at the FSED location. Stabilization and transportation will be provided to those patients who need services other than those provided at the FSED. Patients who experience symptoms indicating more extensive services of an adjacent full service hospital may not stop. However, patients who need immediate attention may benefit by stopping at the FSED before transfer. Baptist Memorial Hospital has transfer agreements with St Francis-Bartlett and other facilities in the area. Baptist patients, that are the basis of the calculations in this application, will benefit from access to complete medical records.

Distance from Zip Centroid to FSED in Arlington in Miles
And the Closest ED

Zip	City	FSED Arlington	Closest ED	Miles
38002	Arlington	4.7	St Francis Bartlett	7.4
38012	Brownsville	35.5	Baptist Tipton	25.3
38016	Cordova	11	St Francis Bartlett	3.7
38018	Cordova	13	Methodist Germantown	4.3
38028	Eads	6.7	St Francis Bartlett	11.1
38049	Mason	15.8	Baptist Tipton	14.2
38053	Millington	19.9	Methodist North	10.9
38060	Oakland	13.2	St Francis Bartlett	17.7
38068	Somerville	21.6	St Francis Bartlett	26.2
38069	Stanton	24.9	Baptist Tipton	22
38076	Williston	22	St Francis Bartlett	26.6
38133	Memphis	9.4	St Francis Bartlett	0.1
38135	Memphis	15.5	Methodist North	4

Distance from Zip Centroid to FSED in Arlington in Miles And ALL EDs in the County Service Area

	38002	38012	38016	38018	38028	38049	38053	38060	38068	38069	38076	38133	38135
Meth Germ	14.6	51.7	7.3	4.3	18.2	31.7	25.8	24.2	32.7	41.1	28.4	8.9	12.7
Meth North	11.6	46.2	12.5	15.5	23.6	26.5	10.9	30	38.5	43.1	38.9	7	4
Meth South	29.5	66.6	24.4	20.1	32.8	46.6	25.6	39.1	47.6	56	49.5	23.5	23.8
Meth Uni	21.9	58.6	16.8	14.4	25.1	39	18.3	31.5	40	48	43.5	15.8	16
Bapt Mem	15.3	52.5	10.1	5.4	18.5	32.4	20.6	24.9	33.4	41.8	28.8	9.2	10.2
Bapt Cvlle	17.5	54.2	12.4	11.4	21.3	38.8	39.6	27.7	36.1	43.6	28.6	16.3	26
Bapt Tipton	24.6	25.3	31.6	33.6	30	14.2	20.3	29.7	31.8	22	39.5	29	29.1
Delta	22.3	59.8	17.2	12.9	25.6	39.4	28	32	40.4	49.2	42.3	16.3	17.2
St Francis	18	55	12.8	8.6	21.2	35.1	23.2	27.6	36.1	44.4	39.3	11.9	12.9
SF- Bartlett	7.4	44.6	3.7	5.7	11.1	21.1	20	17.7	26.2	34	26.6	0.1	4.8
ROH	22.7	63.2	17.6	21	25.9	39.8	18.4	32.3	40.8	52.6	44.3	16.7	16.4
Arlington FSED	4.7	35.5	11	13	6.7	15.8	19.9	13.2	21.6	24.9	22	9.4	15.5

2. Section A., Executive Summary A, Item 4 Similar Providers

For the most recent year available, what percentage of total ED patients at Regional One Health resided in the proposed ZIP Code service area?

Response:

In 2015, approx. 3% of the total ED patients who resided in the proposed Zip code service area went to Regional One Health.

For the most recent year available, what percentage of total ED patients at Baptist Memorial Hospital resided in the proposed ZIP Code service area?

Response:

BMH - Memphis is the applicant. However, Baptist Memorial Hospital has other locations in the service area included BMH Collierville and BMH Tipton. The percentage for each of these locations is shown below:

BMH - Collierville 6.7%

BMH - Tipton 10.8% BMH - Memphis 17.5%

3. Section A, Project Details, Item 4.B Ownership

The applicant's response includes "That arrangement was reviewed in depth by the Department of Health, and the Department concluded that the facility could be properly licensed as part of BMH".

Please provide documentation of the Department of Health's conclusion.

Response:

Information was provided to the Agency when it considered the application for Baptist Memorial Hospital, Lakeland, CN1508-037, including the attached letter from the Office of General Counsel for the Department of Health, which concluded that the arrangement between Baptist Memorial Hospital and Regional One Health would not violate any licensing statutes or rules. The arrangement reviewed in connection with CN1508-037 will be the same for the proposed project.



STATE OF TENNESSEE DEPARTMENT OF HEALTH OFFICE OF GENERAL COUNSEL

685 Mainstream Drive, Second Floor Nashville, Tennesses 37243 Telephone: (615) 741-1611 Facsimile: (615) 532-3386 or (615) 532-7749

BILL HASLAM GOVERNOR JOHN J. DREYZEHNER, MD, MPH, FACOEM

kyonzte.hughes-toombs@tn.gov

VIA US Mail and Email

February 11, 2016

Dan H. Elrod Butler Snow LLP 150 3rd Avenue South, Suite 1600 Nashville, TN 37201 dan.elrod@butlersnow.com

Richard G. Cowart
Attorney at Law
Baker Donelson Center
211 Commerce Street
Nashville, Tennessee 37201
dcowart@bakerdonelson.com

Re: Baptist Memorial Hospital and Regional One Health

Dear Mr. Elrod & Mr. Cowart:

On December 17, 2015, you both, along with other representatives from Baptist Memorial Hospital and Regional One Health, in Memphis, Tennessee, met with me, Devin Wells (Deputy General Counsel), Vincent Davis (Director of the Office of Health Care Facilities), and Ann Reed(Director of Licensure). After hearing your explanation of the proposed freestanding emergency department, it is the opinion of the Office of General Counsel that Baptist Memorial Hospital is the sole operator of the freestanding emergency department and that Regional One Health serves primarily as an investor with input in the operations of the emergency department but no decision making authority. As presented to us on December 17, 2015, there is no violation of any of the rules and regulations related to the Board for Licensing Health Care Facilities.

If you have any further questions or concerns, feel free to contact me.

Respectfully,

Kyante byones Joombos Kyonzie Hughes-Toombo Assistant General Counsel

KHT/af

cc: Ann Reed, Director of Licensure

4. Section B, Need, Renovation and Expansion, Item 3.b.

Your response to this item is noted. Are there other on-campus alternatives to expanding the emergency department rather than going in a northeast direction?

Response:

Ground level expansion in other directions is limited by traffic patterns and vertical expansion would not be possible without substantial internal realignment of services to maintain efficiencies. The most recent expansion maximized practical useable footprint.

Has the applicant considered expanding the emergency departments at the Collierville or Tipton County hospitals?

Response:

Expansion of the emergency departments at Collierville and Tipton would not address the needs to relieve the congestion for patients coming to BMH Memphis. In addition, expansion at Collierville and Tipton would not materially improve ED access for patients who reside in the service area.

5. Section B, Need, Item 5.

The applicant was asked in the first supplemental response to provide a utilization table of Baptist Hospital's (Walnut Grove Rd. location) admissions, patient days, and occupancy rate for the last three reporting years. Please provide this information.

	Discharges	Patient Days	Occupancy Rate
2013	24,509	163,128	82.00
2014	24,737	155,576	78.21
2015	25,802	161,169	81.02

In the response regarding projected utilization by level of care to the Satellite ED, it appears that 4,013 or 65% of the 6,207 visits to the Satellite ED will be Level IV or Level V. What is the projection on how many of these patients will have to transfer to a hospital for inpatient or other hospital care?

Response

After review, the table that was submitted was correct except for the Column for Satellite ED distribution, which is corrected below. The CPT codes were distributed based on historical utilization. The distribution was projected forward. Acuity levels are 1-5 with 5 being the lowest level. It is anticipated that the education of the community will be successful and fewer of the highest acuity patients will present at the FSED. However, ambulance service will be available as necessary to transport patients.

The CPT counts do not correlate well with true acuity levels, in fact, we expect few patients at acuity level 1 and 2.

Level of Care	Main ED	Main ED	Main ED	Main ED	Satellite ED	Combined
	2014	2015	2016	Year 1	Year 1	Year 1
Level I	2,796	1,811	854	1,826	177	2,003
Level II	7,623	5,592	3,554	5,606	544	6,150
Level III	21,004	18,835	17,174	19,060	1,849	20,909
Level IV	18,744	20,527	27,088	22,185	2,152	24,337
Level V	12,284	15,728	17,796	15,314	1,485	16,800
Total	62,451	62,492	66,467	63,991	6,207	70,198

There also appears to be a typo in the Main ED, Year 1 column in the Level III row. Please make the necessary corrections.

Response

This has been corrected above.

In the Projected Utilization by Zip Codes in Applicant's Proposed Service Area, Year 1 Chart, there appears to be some calculation errors in the "Cumulative %" column. Please revise and resubmit this chart.

Patient Zip Code	Name	Population in 2019	Main ED Visits Year 1	Proposed Satellite ED Visits Year 1	Total ED Visits from zlp area	% by Zip Code	Cumulative %
38002	Arlington	48,577	302	955	1257	12%	12%
38012	Brownsville	14,404	31	127	158	1%	13%
38016	Cordova	47,209	1134	1181	2315	21%	34%
38018	Cordova	39,359	427	522	949	9%	43%
38028	Eads	8,196	73	342	415	4%	47%
38049	Mason	4,989	107	514	621	6%	53%
38053	Millington	28,295	452	504	956	9%	61%
38060	Oakland	10,298	134	329	463	4%	66%
38068	Somerville	10,890	207	491	698	6%	72%
38069	Stanton	3,088	21	160	181	2%	74%
38076	Williston	1,253	685	74	759	7%	81%
38133	Bartlett	21,596	682	512	1194	11%	92%
38135	Bartlett	31,312	400	496	896	8%	100%
TOTALS		269,467	4656	6207	10863	100%	

Your response to the Baptist Memorial Hospital (Walnut Grove location) and Proposed Satellite ED Historical and Projected Utilization Chart is noted. Please explain the rationale for the projected increase at the satellite ED of the almost 50% increase in visits between Years 1 and 2.

Response

The increase in visits between years 1 and 2 is anticipated because familiarity with the location will make it more convenient for patients in the area and patients of Baptist Memorial Hospital. Utilization in year 1 is based on the experience of current BMH patients and as more patients learn about the FSED, they will choose to travel to a less congested area.

The applicant indicates that in 2016 the average visits per treatment room was 1,231 and is expected to exceed that by Year 5 after Satellite ED approval at 1,262 visits per room. Please discuss the rationale behind that forecast.

Response

It is anticipated that the utilization at the main campus will continue to increase and the utilization at the FSED will also

increase. Plans will be implemented to ensure that BMH patients are aware of service locations and wait times at each.

In the 2016 column, Visits per room are 1,231 on one line and 1,278 on another line. Please address this discrepancy.

Response:

The chart has been corrected below.

Baptist Memorial Hospital (Walnut Grove location) and Proposed Satellite ED Historical and Projected Utilization

		and I rojected	Utilization		0.0000000000000000000000000000000000000	
		Actual		Pro	ected	
Year	2014	2015	2016	Yr 1	Yr.2	Yr. 5
Main Campus Visits	62,451	62,492	66,467	63,991	63,656	68,165
Main Campus Rooms	54	54	54	54	54	54
Main Campus Visits/	1,156	1,157	1,231	1,185	1,179	1.262
Room			Language pare			L
Satellite Visits				6,207	9,248	9959
Satellite Rooms				10	10	10
Satellite Visits Per Room				620	924	996
Total Visits	62,451	62,492	66,467	70,198	72,904	78,124
Total Rooms	54	54	54	64	64	64
Total Visits Per Room	1,156	1,157	1,231	1,096	1,139	1,220

6. Section B, Economic Feasibility, Item A.2.

The applicant has listed the lease cost in the Project Cost Chart as \$6,466,493; however on page 26 of the original application the applicant states "The fair market amount of \$9,328,001 is less than the cost involving a lease arrangement with a developer at a cost of \$10,028,678. The lease arrangement was used to calculate the cost of the project."

Please explain the discrepancy in these cost figures and submit a revised Project Cost Chart with additional applicable filing fees, if necessary.

Response:

The fair market amount was based on construction of the facility and did not involve additional costs associated with leasing.

A revised project cost chart was included in the supplemental information and that chart included a decrease in the CON filing fee as required by adjustment in the Agency's rules pertaining to this time period for filing. The cost of using the lease is still more expensive than the market value method.

Due to a math error, a corrected page 26 follows.

- SECTION B: ECONOMIC FEASIBILITY

 A. Provide the cost of the project by completing the Project Costs Chart on the following page. Sustify the cost of the project.
 - 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)

Response:

The chart has been completed on the following page. The project cost excluding CON filing fee is \$9,971,344.

2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response:

The cost of the project which will involve a developer and lease for the building, according to CON rule, is higher than the market value costs.

The project cost comparison of the fair market value of completing the project without a developer to the lease arrangement including a developer is shown on the following page. The fair market value of the project is \$2,974,832, which is the sum of the construction cost (\$3,643,750) and the value of the land (\$165,541). Land value is based on allocating a proportionate share of the tax appraisal value of \$8,521,900 for the entire parcel of 85 acres. The fair market value is less than the lease cost of \$6,466,493, so the higher amount is used in the Project Cost Chart.

3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Response:

The equipment value is \$3,393,044. Major fixed equipment items are not part of the project.

The amounts for the equipment are shown in the following list:

Equipment over \$50,000

Est. Cost
\$71,192
\$99,456
\$250,000
\$50,000
\$500,000
\$124,320

JAN 31 '17 PM4:50

7. Section B. Economic Feasibility Item D. (Projected Data Chart)

On Page 55 of the Projected Data Chart, Depreciation is \$21,784,394 in Years 2019 and 2020. On Page 56 Depreciation is Listed as \$20,427,449 in both years. Please explain this discrepancy and submit a revised Projected Data Chart, if necessary.

Response:

A corrected Projected Data Chart follows this page.

PROJECTED DATA CHART

BMH MEMPHIS

Give information for the last *three* (3) years for which complete data are available for the facility or agency.

The fiscal year begins in Oct

			Year 2019		Year 2020
A.	Utilization Data (Visits)		26,288		26,964
n	Davissius frame Camilians to Dationate				
В.	Revenue from Services to Patients 1. Inpatient Services	æ	1 525 222 025	æ	1 574 005 507
	Outpatient Services Outpatient Services	\$	1,535,323,835 794,897,460	\$	1,574,805,587 799,640,514
	Services Emergency Services	\$	161,010,298	\$	167,216,926
	Other Operating Revenue (Specify) cafeteria.	Ψ_	101,010,280	φ	107,210,920
	gift shop, etc.	\$	13,352,748.00	\$	13,352,748.00
	Gross Operating Revenue		2,504,584,341	\$	2,555,015,775
			2,004,004,041	Ψ_	2,000,010,710
C.	Deductions from Gross Operating Revenue				
	Contractual Adjustments	\$	(1,810,128,876)	\$	(1,846,772,355)
	2. Provision for Charity Care	\$	(79,719,411)	\$	(81,333,217)
	3. Provisions for Bad Debt	\$	(72,245,716)	\$	(73,708,228)
	Total Deductions	\$	(1,962,094,003)	\$	(2,001,813,800)
NE	T OPERATING REVENUE	\$	542,490,338	\$	553,201,975
D.	Operating Expenses				
	Salaries and Wages	\$	200,873,372	\$	206,038,948
	a. Direct Patient Care				
	b. Non-Patient Care		****		
	2. Physician's Salaries and Wages				
	3. Supplies	\$	157,108,016	\$	161,148,141
	4. Rent				
	a. Paid to Affiliates	_\$_	663,549	\$	676,081
	b. Paid to Non-Affiliates	\$	1,074,579	\$	1,098,177
	5. Management Fees:				
	a. Paid to Affiliates	\$	50,067,107	\$	51,068,449
	b. Paid to Non-Affiliates				
	6. Other Operating Expenses	\$	80,053,748	\$	81,451,378
	Total Operating Expenses	\$	489,840,371	\$	501,481,174
	Earnings Before Interest, Taxes and Depreciation	\$	52,649,968	\$	51,720,801
F.	Non-Operating Expenses				
	1. Taxes	\$	1,387,028	\$	1,387,028
	2. Depreciation	\$	21,784,394	\$	21,784,394
	3. Interest				
	4. Other Non-Operating Expenses	\$	44,092	\$	44,092
	Total Non-Operating Expenses	\$	23,215,514	\$	23,215,514
			,_ ,	_	
	Non-Operating Revenue	\$	(5,062,196)	\$	(5,062,196)
A1=	T INCOME (LOCO)	•	04 070 057	Φ.	00 440 000
Nt	ET INCOME (LOSS)	\$	24,372,257	\$	23,443,090

G. Other Deductions

Annual Principal Debt Repayment	\$ 5,075,000	\$ N31,17g
2. Annual Capital Expenditure	\$ 299,391	\$ 299,391
Total Other Deductions	\$ 5,374,391	\$ 299,391
NET BALANCE	\$ 18,997,866	\$ 23,143,699
DEPRECIATION	\$ 21,784,394	\$ 21,784,394
FREE CASH FLOW (Net Balance + Depreciation)	\$ 40,782,261	\$ 44,928,093

PROJECTED DATA CHART-OTHER EXPENSES - BMH MEMPHIS

THER EXPENSES CATEGORIES		Year 2019	Year 2020
1 Purchased Svcs	\$	12,796,644	\$ 13,180,543
2 Insurance Expense	\$	5,851,164	\$ 5,851,164
3 Utilities	\$	5,742,335	\$ 5,799,758
4 Repairs & Maintenance	<u> </u>	10,608,355	\$ 10,926,606
Loss on Asset Impairment	—2) (————		
6 Professional Fees	\$	31,902,867	\$ 32,540,925
7 Medicaid Assessment	\$	9,967,320	\$ 9,967,320
8 Misc	\$	3,185,063	\$ 3,185,063
Total Other Expenses	\$	80,053,748	\$ 81,451,378

8. Section B. Economic Feasibility Item H.

The revised staffing chart is noted. It appears that Total Staff should be 35.2. Please make the necessary corrections and submit a revised Staffing Chart.

Response:

The Total Staff figure has been updated to 35.2

	Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
a)	Direct Patient Care Positions	N/A			
	RNs		8.2	\$27.84	\$27.10
	Respiratory Therapist		3.5	\$28.85	\$23.16
	Medical Assistant		3.3	\$14.00	\$13.48
	Manager		1	\$37.30	\$37.86
	Lab Tech		3.2	\$26.50	\$16.81
	Ultrasound Tech		3.2	\$28.15	\$23.49
	CT Tech		3.3	\$25.50	\$24.45
	Total Direct Patient Care	3	25.7		

b) Non-Patient Care Positions			
Director	1	\$55.25	\$40.54
MM Tech	1	\$11.56	\$11.55
Receptionist	3,2	\$15.00	\$13.85
Total Non-Patient Care Positions	5.2		
Total Employees (A+B)	30.9		
c) Contractual Staff Security	4.3	14.00	, , , , , , , , , , , , , , , , , , , ,
Total Staff (a+b+c)	35.2	***************************************	V)

<u>AFFIDAVIT</u>

JAN 31 '17 PM4:46

STATE OF TENNESSEE
COUNTY OF Davidson
NAME OF FACILITY: Baytisc Memoral Hospital (Satellike Emergen Dogartment in Artington)
I, A Elrol , after first being duly sworn, state under oath that I am the
applicant named in this Certificate of Need application or the lawful agent thereof, that I
have reviewed all of the supplemental information submitted herewith, and that it is true,
accurate, and complete.
Signature/Title
Sworn to and subscribed before me, a Notary Public, this the $31^{\frac{1}{2}}$ day of $\frac{1}{2}$, $\frac{1}{7}$,
witness my hand at office in the County of <u>Davidson</u> , State of Tennessee.
Romine Foster
My commission expires <u>Sept. 10</u> , <u>2018</u> .
HF-0043
My commission expires Sept. 10 , 2018. HF-0043 Revised 7/02 HOTART FOBLIC AD 18 TENNESSEE NOTARY PUBLIC STATE ROY PUBLIC SON COUNTING MINISTRACT TENNESSEE NOTARY PUBLIC SON COUNTING MINISTRACT TO SEPT. 10 SON COUNTING MINISTRACT MINISTRACT TO SEPT. 10 SON COUNTING MINISTRACT MINIST